

## Instructions for Partnerships and S Corporations Completing Schedule K-1-P and Schedule K-1-P(3)

## **General Information**

## What is the purpose of Schedule K-1-P and Schedule K-1-P(3)?

### Schedule K-1-P —

The purpose of Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, is for you to supply each individual or entity who was a partner or shareholder at any time during your tax year with that individual's or entity's share of the amounts you reported on your federal income tax return and your Illinois business income tax return.

For Illinois Income Tax purposes, you **must** give a completed Schedule K-1-P **and** a copy of the Schedule K-1-P(2), Partner's and Shareholder's Instructions, to each partner or shareholder. This must be done by the due date, including any extended due date, of your Form IL-1065 or Form IL-1120-ST.

## Schedule K-1-P(3) —

The purpose of Schedule K-1-P(3) is to calculate the required tax you must report and pay on behalf of your nonresident partners or shareholders that receive business or nonbusiness income from your partnership or S corporation.

You are required to report and pay tax on behalf of your members if

- you are an S corporation or partnership with an Illinois filing obligation, and
- you have business or nonbusiness income distributable to Illinois nonresident partners or shareholders who have not provided you with Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments.

You **must** complete a Schedule K-1-P(3) for each such member. The pass-through withholding payment amount calculated on Schedule K-1-P(3) will be reported to each applicable member on the Schedule K-1-P you issue to them. Each member's amounts from each Schedule K-1-P(3) you complete must also be reported to the Illinois Department of Revenue on your Schedule B.

For Illinois Income Tax purposes, you **must** complete Schedule K-1-P(3) to calculate the amount of pass-through withholding payment for each of your applicable members **and** keep the schedule with your income tax records. **Do not submit Schedule K-1-P(3) with your income tax return.** You must send us your Schedules K-1-P(3) if we request them.

Do not attach any Schedule K-1-P that you complete and issue to your partners or shareholders or any Schedule K-1-P(3) you complete to your Form IL-1065 or Form IL-1120-ST. However, you must

- keep a copy of each Schedule K-1-P and Schedule K-1-P(3) available for inspection by our authorized agents and employees, and
- attach any Schedule K-1-P issued to you by another partnership or S corporation, as described in Schedule K-1-P(2), Partner's and Shareholder's Instructions.

### What is a resident?

A resident is

- an individual who is present in Illinois for other than a temporary or transitory purpose;
- an individual who is absent from Illinois for a temporary or transitory purpose but who is domiciled in Illinois;
- the estate of a decedent who at his or her death was domiciled in Illinois;
- a trust created by a will of a decedent who at his or her death was domiciled in Illinois; or

 an irrevocable trust, whose grantor was domiciled in Illinois at the time the trust became irrevocable. For purposes of this definition, a trust is irrevocable to the extent that the grantor is not treated as the owner of the trust under Internal Revenue Code (IRC) Sections 671 through 678.

### What is a nonresident?

A nonresident is a person who is not a resident, as previously defined. Corporations, S corporations, partnerships, and exempt organizations are considered nonresidents for purposes of Schedule K-1-P and Schedule K-1-P(3).

### What is business income?

Business income means all income, other than employee compensation, that may be apportioned by formula among the states in which you are doing business without violating the Constitution of the United States. All income of a partnership or subchapter S corporation is business income unless it is clearly attributable to only one state and is earned or received through activities totally unrelated to any business you are conducting in more than one state. Business income is net of all deductions attributable to that income.

### When is business income allocable to Illinois?

For a resident of Illinois, all income received, regardless of the source, is allocable to Illinois.

For a nonresident of Illinois whose business income is derived

- wholly inside Illinois, the entire amount of business income is allocable to Illinois.
- wholly outside Illinois, none of the business income is allocable to Illinois
- inside and outside Illinois, Step 6 of Form IL-1065 or Form IL-1120-ST should be completed. See the specific instructions for these forms.
- from trusts, estates, and other partnerships or S corporations, the business income paid to this partnership or S corporation may be allocable to Illinois. See the Schedule K-1-T, Beneficiaries Share of Income and Deductions, furnished by the fiduciary, or Schedule K-1-P furnished by the other partnership or S corporation to determine what income is allocable to Illinois.

### What is nonbusiness income?

Nonbusiness income is all income other than business income or employee compensation. It is income you can clearly classify as having no connection to your business. For information about types of nonbusiness income, see the instructions for Illinois Schedule NB, Nonbusiness Income.

### When is nonbusiness income allocable to Illinois?

For a resident of Illinois, all nonbusiness income is allocable to Illinois.

For a nonresident partner or shareholder, items of income and deduction that constitute nonbusiness income received through the partnership or S corporation completing Schedule K-1-P are treated as if received directly by the partner or shareholder and are allocable to Illinois according to the following rules:

- Interest and dividend income received by partnerships or corporations is allocable to Illinois if the entity's commercial domicile was in Illinois at the time the interest or dividend was paid or accrued. Interest and dividend income received by a nonresident individual, trust, or estate is not allocable to Illinois.
- Net rents and royalties

**Real property** - Rents and royalties from real property are allocable to Illinois if the property is located in Illinois.

Schedule K-1-P(1) (R-12/16) Page 1 of 7

Tangible personal property - Rents and royalties from tangible personal property are allocable to Illinois to the extent that the property is used in Illinois. The extent of use of tangible personal property in a state is determined by multiplying the rents and royalties derived from the property by a fraction. The numerator is the number of days of physical location of the property in Illinois during the rental and royalty period in the tax year, and the denominator is the number of days of physical location of the property everywhere during all rental or royalty periods in the tax year.

- Patent and copyright royalties are allocable to Illinois to the extent that the patent or copyright is used in Illinois.
  - A patent is used in Illinois to the extent that it is employed in production, fabrication, manufacturing, or other processing in Illinois or to the extent that a patented product is produced in Illinois.
  - A copyright is used in Illinois to the extent that printing or other publication originates in Illinois.
- Gains and losses from sales or exchanges of real or tangible personal property are in Illinois if the property is located in Illinois at the time of the sale or exchange. Gains or losses from the sale or exchange of intangible personal property are allocable to the state of residence or commercial domicile of the partner or shareholder.
- Income from trusts, estates, and other partnerships or S corporations paid to this partnership or S corporation is allocable as if your partner or shareholder received it directly. See the Schedule K-1-T furnished by the fiduciary or Schedule K-1-P furnished by the other partnership or S corporation to determine what income is allocable to Illinois.

## What if a partner is engaged in a unitary business with this partnership?

If partners owning substantially all of a partnership are engaged in a unitary business with that partnership, the partners and the partnership must be included on a Schedule UB, Combined Apportionment for Unitary Business Group. Substantial ownership is defined as owning more than 90 percent of all the interest in the partnership. Otherwise, if a partner is engaged in a unitary business with this partnership, the partner must determine the portion of its business income taxed by Illinois by adding its share of this partnership's business income and apportionment factors (Illinois and everywhere) to its own business income and apportionment factors (Illinois and everywhere). See Illinois Income Tax Regulations, Section 100.3380(d) for more information. The business income and factors of this partnership that must be added to the unitary partner's business income and factors must include any business income and factors that flow through to this partnership from another unitary partnership. See the "Unitary instructions" in the following steps to help you report the unitary partner's share.

## What if I am an investment partnership?

If you are an investment partnership as defined in the Illinois Income Tax Act (IITA), Section 1501(a)(11.5), you are exempt from Illinois income taxation. Also, all income that one of your partners receives from you is treated as nonbusiness income that is allocable to the partner's state of residence or commercial domicile, unless the partner's investment in you is directly or integrally related to another business activity of the partner; or where the partner's contribution to you was made out of working capital from its trade or business. Because you cannot be expected to know the facts necessary to make this determination, you should complete the Schedule K-1-P by filling in only Column A and attaching the Schedule K-1-P(2), to allow the partner to make its own determination.

## K-1-P Step-by-Step Instructions

**<u>=Note</u>** You must enter your tax year ending in the space provided on the front of the Schedule K-1-P. Failure to provide this information will result in processing delays for your partner and shareholder.

## Step 1 — Identify your partnership or S corporation

**Line 1 -** Check the appropriate box to identify yourself as a partnership or an S corporation.

**Line 2 -** Enter the name of your partnership or S corporation as shown on your Form IL-1065 or Form IL-1120-ST.

**Line 3 -** Enter your federal employer identification number (FEIN). If you are a foreign entity and do not have a FEIN, leave Line 3 blank. If you leave this line blank, you may be contacted for further information.

**Line 4 -** Enter the apportionment factor from Step 6, Line 42, of your Form IL-1065 or Form IL-1120-ST. If you were not required to complete Step 6, enter "1" on this line.

**=**Note→ If you are an investment partnership, enter "investment partnership" on Line 4.

Unitary instructions (Form IL-1065 filers only): If the partner to whom you are sending this Schedule K-1-P is engaged in a unitary business with your partnership, enter "see attached schedule of factors" on Line 4. Attach a schedule showing the partner's share of the partnership's apportionment factors (Illinois and everywhere), and business income that the partnership directly earns, plus any factors and business income passed up to your partnership from another unitary partnership. The schedule must direct the partner to include the apportionment factors and business income shown on the schedule with its own apportionment factors and business income in apportioning its business income to Illinois.

## Step 2 — Identify your partner or shareholder

**Line 5 -** Enter the name of the partner or shareholder to whom you will issue the Schedule K-1-P.

**Line 6 -** Enter the mailing address of the partner or shareholder.

**Line 7 -** Enter the Social Security number or FEIN of the partner or shareholder here and in the space provided at the top of Page 2.

**Line 8 -** Enter the percentage that represents this partner's or shareholder's share of income, gain, loss, deduction, or credit that was allocated among the members as required by the Internal Revenue Code (IRC) Section 704 for partners, and IRC Section 1366 for shareholders. In the event that the partnership agreement provides for a specific allocation of certain items that differs from that used to allocate income or loss, report the special items and percentage allocation on a separate sheet and attach it to this schedule.

**Line 9a -** Check the appropriate box to identify this partner or shareholder as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

If this partner or shareholder is

- an exempt organization and is taxed as a corporation, check the corporation box on this Schedule K-1-P.
- an exempt organization and is taxed as a trust, check the trust box on this Schedule K-1-P.
- a grantor trust or other disregarded entity, check the box on this Schedule K-1-P that corresponds to the tax type of the grantor or

**Line 9b** - Do not check the grantor trust or disregarded entity checkbox, or enter a name or identification number on this line. These are available for your partner or shareholder to complete, as applicable.

## Steps 3 through 6 —

=Note $\rightarrow$  If you are a partner in a partnership, a shareholder in an S corporation, or a beneficiary of a trust or estate, you need to complete a pro forma Schedule K-1-P that identifies each partner's or shareholder's share of your share of items received from that entity. Write across the top of the pro forma Schedule K-1-P "the following information is included \_" (the name of your partnership in the Schedule K-1-P from \_\_\_\_\_ or S corporation). Send this pro forma Schedule K-1-P along with the Schedule K-1-P you issue to your partners or shareholders.

**Column A** — **Member's share** — If the individual or entity was a partner or shareholder at any time during your tax year, you must complete Column A of Steps 3 through 6.

**Column B — Illinois share** — You must determine how much of each item in Column A is allocable or apportionable to Illinois and enter that amount in Column B for each partner or shareholder. Nonresidents are taxed only on the Illinois share of each item, and residents need to know the Illinois share of each item to compute the credit they are allowed for taxes paid to other states.

For all line items: If you are an investment partnership, leave Column B blank.

## Step 3 — Figure your partner's or shareholder's share of your nonbusiness income or loss

### Column A - Member's share

**Lines 10 through 19 -** Enter the partner's or shareholder's share of nonbusiness income reported on the equivalent lines of your federal Schedule K-1. Line 19 should include any items of nonbusiness income or deduction (*e.g.*, IRC Section 179) which are included in the computation of unmodified base income on Step 3, Line 13, of your Form IL-1065 or Form IL-1120-ST and are not included in Schedule K-1-P, Lines 10 through 18.

If you filed a federal Form 1065-B, you should complete a pro forma federal Form 1065, Schedule K-1, for each partner to use as a guide for completing Step 3.

**=Note**→ Enter "0" on Lines 10 through 19 if you made the election on your Form IL-1065 or IL-1120-ST to treat all of your income as business income. All items of income and expense from your federal K-1 should be reported in Step 4 - Figure your partner's or shareholder's share of your business income or loss.

**Unitary instructions (Form IL-1065 filers only):** If the partner to whom you are sending this Schedule K-1-P is engaged in a unitary business with your partnership, report the partner's share of all items of nonbusiness income in the same manner as you would for any other partner.

### Column B - Illinois share

For all line items - If you are an investment partnership, leave Column B blank.

**Lines 10, 11, and 18 -** If the partner or shareholder uses an Illinois address, enter its share of nonbusiness income from Column A. Otherwise, enter "0."

**Lines 12 through 17, and 19 -** Enter the partner's or shareholder's share of nonbusiness income allocable to Illinois as reported on your Schedule NB, Column B. Identify any amount reported on Line 19 and, if needed, attach a breakdown of that amount.

## Step 4 — Figure your partner's or shareholder's share of your business income or loss

**Note** When completing Lines 20 through 31, exclude from these amounts any nonbusiness income reported in Step 3.

## Column A - Member's share

**Lines 20 through 31 -** Enter the partner's or shareholder's share of business income identified on these lines. See the information on the partner's or shareholder's federal Schedule K-1 and the amounts entered in Step 3, Column A. Line 31 should include any items of business income or deduction (*e.g.*, IRC Section 179) which are included in the computation of unmodified base income on Step 3, Line 13, of your Form IL-1065 or Form IL-1120-ST, and are not included in Lines 20 through 30.

**<u>=Note</u>** If you filed a federal Form 1065-B, you should complete a pro forma federal Form 1065, Schedule K-1, for each partner to use as a guide for completing Step 4.

### Column B - Illinois share

**For all line items -** If you are an investment partnership, leave Column B blank.

**Lines 20 through 31 -** Enter the partner's or shareholder's share of business income apportioned to Illinois. If the business income is from your partnership or S corporation, multiply the amount in Column A by the apportionment factor on Step 1, Line 4. If you received business income from any other partnership, S corporation, or trust, see the Schedule K-1-P or Schedule K-1-T from that entity. Enter the total in Column B. Identify any amount reported on Line 31 and, if needed, attach a breakdown of that amount.

**Unitary instructions:** If you are included in a Schedule UB, include the combined amount of each item of business income reported in Step 2, Column E of the Schedule UB, multiplied by the apportionment factor in Step 1, Line 4 of this Schedule K-1-P. If you are a partnership and the partner to whom you are sending this Schedule K-1-P is engaged in a unitary business with you, and you are not included in the Schedule UB with this partner, report only this partner's share of the items of business income and expense you derived from non-unitary partnerships, partnerships included on a Schedule UB, S corporations, trusts, or estates.

## Step 5 — Figure your partner's or shareholder's share of Illinois additions and subtractions

### Column A - Member's share

For each line in Step 5, Column A, multiply the amounts you reported on your Illinois return by the percentage shown on Step 2, Line 8.

**Unitary instructions:** If you are included in a Schedule UB, include the combined amount of each item of business additions and subtractions reported in Step 3, Column E of the Schedule UB, multiplied by the apportionment factor in Step 1, Line 4 of this Schedule K-1-P. If you are a partnership and the partner to whom you are sending this Schedule K-1-P is engaged in a unitary business with you, and you are not included in the Schedule UB with this partner, report only this partner's share of the items of business income and expense you derived from non-unitary partnerships, partnerships included on a Schedule UB, S corporations, trusts, or estates.

**Line 32 -** Enter the partner's or shareholder's share of the federally tax-exempt interest income reported on Line 15 of your Form IL-1065 or Form IL-1120-ST.

**Line 33 -** Enter the partner's or shareholder's share of Illinois replacement tax and surcharge deducted in arriving at unmodified base income and reported on Line 16 of your Form IL-1065 or Form IL-1120-ST.

**Line 34 -** Enter the partner's or shareholder's share of Illinois Special Depreciation that must be added to the unmodified base income, as reported on Line 17 of your Form IL-1065 or Form IL-1120-ST.

**Line 35 -** Enter the partner's or shareholder's share of Related-Party Expenses that must be added to the unmodified base income, as reported on Line 18 of Form IL-1065 or Form IL-1120-ST.

**Line 36** - Enter the partner's or shareholder's share of additions from any partnership, S corporation, trust, or estate from which you received income, as reported on Line 19 of your Form IL-1065 or Form IL-1120-ST.

**Line 37 -** Enter the partner's or shareholder's share of each of the "other additions" figured on Illinois Schedule M, Other Additions and Subtractions for Businesses, and reported on your Form IL-1065, Line 22, or Form IL-1120-ST, Line 21.

**Line 38a -** Enter the partner's or shareholder's share of the interest from U.S. government obligations that is included as business income on your Form IL-1065, Line 24, or Form IL-1120-ST, Line 23.

**Line 38b** - Enter the partner's or shareholder's share of the interest from U.S. government obligations that is included as nonbusiness income on your Form IL-1065, Line 24, or Form IL-1120-ST, Line 23.

**Line 39 -** Enter the partner's or shareholder's share of River Edge Redevelopment Zone Dividend subtraction from your Form IL-1065, Line 28, or Form IL-1120-ST, Line 25.

Schedule K-1-P(1) (R-12/16) Page 3 of 7

**Line 40 -** Enter the partner's or shareholder's share of High Impact Business within a Foreign Trade Zone (or sub-zone) Dividend subtraction from your Form IL-1065, Line 29, or Form IL-1120-ST, Line 27.

**Line 41 -** Enter the shareholder's share of the Contribution subtraction from your Form IL-1120-ST, Line 29.

**Line 42 -** Enter the shareholder's share of the Interest Subtraction - River Edge Redevelopment Zone from your Form IL-1120-ST, Line 26.

**Line 43 -** Enter the shareholder's share of the Interest Subtraction - High Impact Business within a Foreign Trade Zone (or sub-zone) from your Form IL-1120-ST, Line 28.

**Line 44 -** Enter the partner's or shareholder's share of any Illinois Special Depreciation subtraction allowed for property placed in service after September 11, 2001, from Line 30 of your Form IL-1065 or Form IL-1120-ST.

**Line 45 -** Enter the partner's or shareholder's share of any Related-Party Expenses subtraction allowed from Line 31 of your Form IL-1065 or Form IL-1120-ST.

**Line 46** - Enter the partner's or shareholder's share of subtractions from any partnership, S corporation, trust, or estate from which you received income from Line 32 of your Form IL-1065 or Form IL-1120-ST. Do not include any August 1, 1969, appreciation amounts included in the share.

**Line 47 -** Enter the partner's or shareholder's share of each of the "other subtractions" figured on Illinois Schedule M and reported on Line 33 of your Form IL-1065 or Form IL-1120-ST. Do not include any August 1, 1969, appreciation amounts included in the share.

### Column B - Illinois share

For all line items - If you are an investment partnership, leave Column B blank.

Lines 32 through 37 - Enter the partner's or shareholder's share of additions apportioned to Illinois. If the amount is business income from your partnership or S corporation, multiply the amount of business income in Column A by the apportionment factor on Step 1, Line 4. Allocate the amount of nonbusiness income in Column A according to the allocation rules. See "When is nonbusiness income allocable to Illinois?" in the General Information for the rules governing the allocation of nonbusiness income. If you received amounts from any other partnership, S corporation, trust, or estate, see the Schedule K-1-P or Schedule K-1-T from that entity. Enter the total in Column B.

<u>Special</u> Note → If you reported recaptured business expenses on Line 37, multiply those expenses in Column A by the fraction on Line f of the Schedule NB, Apportionment Factor Worksheet, and include the resulting amount in Column B.

Lines 38a and 39 through 47 - Enter the partner's or shareholder's share of subtractions apportioned to Illinois. If the amount is business income from your partnership or S corporation, multiply the amount of business income in Column A by the apportionment factor on Step 1, Line 4. Allocate the amount of nonbusiness income in Column A according to the allocation rules. See "When is nonbusiness income allocable to Illinois?" in the General Information for the rules governing the allocation of nonbusiness income. If you received amounts from any other partnership, S corporation, trust or estate, see the Schedule K-1-P or Schedule K-1-T from that entity. Enter the total in Column B.

**Line 38b** - If the partner or shareholder uses an Illinois address, enter the amount from Column A. Otherwise, enter "0."

**Note** → Do not include any amount in Column B of Lines 38a, 38b, 39, or 40, unless the item was included in Column B in Step 3 or 4. This same rule applies to certain items from Illinois Schedule M (for businesses), including any refund of an overpayment of Illinois replacement tax, and income exempt from taxation by Illinois by reasons of its statutes or Constitution, or the Constitution, treaties, or statutes of the United States.

## Step 6 — Figure your partner's or shareholder's (except a corporate partner or shareholder) share of your Illinois August 1, 1969, appreciation amounts

If you reported a gain on the disposition of property acquired before August 1, 1969, this gain may be reduced by the August 1, 1969, appreciation amount. See Schedule F, Gains from Sales or Exchanges of Property Acquired Before August 1, 1969 (Form IL-1065 or Form IL-1120-ST), for detailed instructions and information necessary to complete Lines 48 through 51.

**ENote** → Corporations are not allowed to subtract the August 1, 1969, appreciation amount. However, S corporations may pass the subtraction through to their shareholders.

## Column A - Member's share

For each line in Step 6, Column A, multiply the amounts you reported on your Illinois Schedule F (Form IL-1065 or Form IL-1120-ST) by the partner's or shareholder's share percentage shown on Step 2, Line 8.

**Line 48 -** Enter the partner's or shareholder's share of the August 1, 1969, appreciation amount for Sections 1245 and 1250 gains reported on your Form IL-1065 or Form IL-1120-ST, Schedule F, Line 3.

**Line 49 -** Enter the partner's or shareholder's share of the August 1, 1969, appreciation amount for Section 1231 gain reported on your Form IL-1065 or Form IL-1120-ST, Schedule F, Line 4.

**Line 50 -** Enter the partner's or shareholder's share of the August 1, 1969, appreciation amount for Section 1231 gain, less casualty and theft gain, reported on your Form IL-1065 or Form IL-1120-ST, Schedule F, Line 6. If you do not report casualty or theft gain for federal income tax purposes, leave this line blank.

**Line 51 -** Enter the partner's or shareholder's share of the August 1, 1969, appreciation amount for capital gain reported on your Form IL-1065 or Form IL-1120-ST, Schedule F, Line 7.

### Column B - Illinois share

For all line items - If you are an investment partnership, leave Column B blank.

**Lines 48 through 51 -** Enter the partner's or shareholder's share of the August 1, 1969, appreciation amounts that are allocated or apportioned to Illinois.

If these appreciation amounts result from a gain on the disposition of nonbusiness property, include the August 1, 1969, amount from Column A in Column B, only if the gain from the disposition of the property was included in Column B.

**Unitary instructions:** If you are included in a Schedule UB, include the combined amount of each item of Illinois August 1, 1969, appreciation reported in Step 3, Column E of the Schedule UB, multiplied by the apportionment factor in Step 1, Line 4 of this Schedule K-1-P. If you are a partnership and the partner to whom you are sending this Schedule K-1-P is engaged in a unitary business with you, and you are not included in the Schedule UB with this partner, report only this partner's share of the items of business income and expense you derived from non-unitary partnerships, partnerships included on a Schedule UB, S corporations, trusts, or estates.

## Step 7 — Figure your partner's or shareholder's share of your Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge

**Line 52 - Illinois credits -** The following credits are reported on your Illinois Schedule 1299-A or Form IL-477. You must complete the appropriate line (Lines 52a through 52n) to pass any of these credits through to your partners or shareholders. For each line used (lines 52a through 52n) in Step 7, multiply the amount reported on your Illinois Schedule 1299-A or Form IL-477 by the partner's or shareholder's share percentage shown on Step 2, Line 8. Use the line reference chart to complete Lines 52a through 52n.

Page 4 of 7 complete Lines 52a through 52n. Schedule K-1-P(1) (R-12/16)

**=Note** → Partnerships may no longer make the election to flow through their investment credits to their partners. Investment credits earned by the partnership or the S corporation and allocable to their partners or shareholders subject to replacement tax will automatically flow through to those partners or shareholders.

On	enter this partner's or shareholder's share of the	from your Schedule 1299-A, Line
Line 52a -	Film Production Services Tax Credit	16c
Line 52b -	Enterprise Zone Investment Credit	19
Line 52c -	River Edge Redevelopment Zone Investment Credit	22
Line 52d -	Tax Credit for Affordable Housing Donations	25
Line 52e -	EDGE Tax Credit	28
Line 52f -	Ex-Felons Jobs Credit	31
Line 52g -	Veterans Jobs Credit	34
Line 52h -	Student-Assistance Contributions Credit	37
Line 52i -	Angel Investment Credit	40
Line 52j -	New Markets Credit	43
Line 52k -	River Edge Historic Preservation Credit	46
Line 52I -	Live Theater Production Credit	49
Line 52m -	Hospital Credit	56
On	enter this partner's or shareholder's share of the	from your Form IL-477, Step 1, Line
Line 52n -	Replacement Tax Investment Credits	5

**Line 53 - Recapture -** Each partner's or shareholder's share of any recapture is limited to his or her share of the original investment credit. If a partner or shareholder who shared in the original credit is no longer an owner in the year of recapture, report that former owner's share of the recapture on Lines 53a, 53b, and 53c. You must send a copy of Schedule K-1-P (that will show an amount only on Lines 53a, 53b, and 53c) and Schedule 4255, Recapture of Investment Tax Credits, to this former owner.

If the partner's or shareholder's share in the year of the credit is different from his or her share in the year of the recapture, report that member's share of the recapture on Lines 53a, 53b, and 53c and attach a separate sheet explaining the difference. You must attach a copy of Schedule 4255 to this partner's or shareholder's Schedule K-1-P.

On	enter this partner's or shareholder's share of the	from your Schedule 4255,
Line 53a -	Enterprise Zone/River Edge Redevelopment Zone Investment Credit recapture	Step 4, Column A, Line 17
Line 53b -	Replacement Tax Investment Credit recapture	Step 4, Column C, Line 17
Line 53c -	Angel Investment Credit recapture	Step 5, Line 21

**Unitary instructions:** If a partner is engaged in a unitary business with your partnership, report the partner's share of credits and recapture amounts in the same manner as you would for any other partner.

**Line 54 -** If this member is a nonresident and has not submitted a Form IL-1000-E to you, complete Schedule K-1-P(3) for this member **before** completing this line. After you have completed Schedule K-1-P(3) for this member, enter on Line 54 the partner's or shareholder's share of pass-through withholding payments from Schedule K-1-P(3), Step 3, Line 19. You must also report specific amounts from Schedule K-1-P(3) on Schedule B of your Form IL-1065 or IL-1120-ST. See the instructions for Schedule K-1-P(3) below and the Schedule B instructions for more information.

**Line 55 -** Enter the partner's or shareholder's share of any federal income attributable to transactions subject to the surcharge. **Attach** a breakdown of any items reported on this line.

## Definitions related to the Compassionate Use of Medical Cannabis Pilot Program Act Surcharge —

**Organization registrant** means a corporation, partnership, trust, limited liability company (LLC), or other organization, that holds either a medical cannabis cultivation center registration issued by the Illinois Department of Agriculture or a medical cannabis dispensary registration issued by the Illinois Department of Financial and Professional Regulation.

Transactions subject to the surcharge means sales and exchanges of

- capital assets;
- depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of an organization registrant.

## What is the surcharge?

For each taxable year beginning or ending during the Compassionate Use of Medical Cannabis Pilot Program, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of an organization registrant under the Compassionate Use of Medical Cannabis Pilot Program Act.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge.

## To whom does the surcharge apply?

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a "transaction subject to the surcharge", including individuals and other taxpayers who are not themselves the "organization registrant" that engaged in the transaction.

A partnership will not incur a surcharge because it has no federal income tax obligation. An S corporation would incur a surcharge on a transaction subject to built-in gains tax. Partners and shareholders who incur a federal income tax liability on income from a transaction subject to surcharge passed through to them by a partnership or S corporation will incur a surcharge.

ENote Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

## What do I report to my partners or shareholders?

Enter this partner's or shareholder's share of any federal income attributable to transactions subject to the surcharge on Line 55. In order to enable your partner or shareholder to correctly figure the surcharge, attach a report itemizing any amount reported on Line 55 and provide it to your partner or shareholder along with this schedule.

**ENote** Report **federal income** attributable to transactions subject to the surcharge on Line 55. **Do not** report your federal income tax liability for the taxable year attributable to the transactions subject to the surcharge on this line.

For more information, see Illinois Income Tax Regulations, Section 100.2060.

## K-1-P(3) Step-by-Step Instructions

### Read this information first:

- You must complete Schedule K-1-P(3) for each of your nonresident partners or shareholders who have not submitted a Form IL-1000-E to you.
- Do not complete Schedule K-1-P(3) for any member who is a resident or who has submitted Form IL-1000-E to you.
- You must keep Schedule K-1-P(3) with your income tax records.

Schedule K-1-P(1) (R-12/16) Page 5 of 7

 Do not send Schedule K-1-P(3) to your partners or shareholders or submit it to the Illinois Department of Revenue unless we request it from you.

**Note** See "What is a resident?" and "What is a nonresident?" in the General Information section of these instructions for help determining if your member is a resident or nonresident.

Completion of Schedule K-1-P(3) for each of your applicable members is required and will aid in the completion of your Form IL-1065 or Form IL-1120-ST, Schedule B.

Complete all lines of Schedule K-1-P except Step 7, Line 54 before completing this schedule.

## Step 1 — Identify your partnership or S corporation

**Line 1 -** Enter the name of your partnership or S corporation as shown on your Form IL-1065 or Form IL-1120-ST.

**Line 2 -** Enter your federal employer identification number (FEIN). If you are a foreign entity and do not have a FEIN, leave Line 2 blank. If you leave this line blank and we request that you submit this schedule, you may be contacted for further information.

## Step 2 — Identify your nonresident partner or shareholder

**Line 3** - Enter the name of the nonresident partner or shareholder for whom you are reporting pass-through withholding payments.

**Line 4 -** Enter the Social Security number or FEIN of the nonresident partner or shareholder.

**Line 5** - Check the appropriate box to identify this nonresident partner or shareholder as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

If this partner or shareholder is

- an exempt organization and is taxed as a corporation, check the corporation box on this schedule and treat it as a corporation for the purposes of completing this schedule.
- an exempt organization and is taxed as a trust, check the trust box on this schedule and treat it as a trust for the purposes of completing this schedule.
- a grantor trust or other disregarded entity, check the box on this schedule that corresponds to the tax type of the grantor or owner and treat it as that type of taxpayer for the purposes of completing this schedule.

## Step 3 — Figure your nonresident partner's or shareholder's pass-through withholding

**<u>=Note</u>** If this member is a resident or has submitted Form IL-1000-E to you, do not complete Schedule K-1-P(3) for this member.

**Line 6 -** In computing the amount on Line 6, do not double count items reported as both unrecaptured Section 1250 gains and as Section 1231 gains.

If this member is an individual partner or shareholder, do not include itemized deductions such as charitable contributions, investment expenses or portfolio expenses because individuals are not allowed to take these deductions in computing Illinois net income.

**Line 7 -** In computing the amount on Line 7, do not double count items reported as both unrecaptured Section 1250 gains and as Section 1231 gains.

If this member is an individual partner or shareholder, do not include itemized deductions such as charitable contributions, investment expenses, or portfolio expenses because individuals are not allowed to take these deductions in computing Illinois net income.

If this member is an individual, corporation, estate, or trust partner or shareholder, include any amount of the federal domestic production activity or oil and gas depletion deductions that you are not allowed to claim on your Form IL-1065 or Form IL-1120-ST, but may pass through to your eligible partners or shareholders.

**Line 8 through Line 10 -** Follow the instructions on the schedule.

**Line 11 -** Add the amounts from this member's Schedule K-1-P, Column B, Lines 38a through 47 and enter the total here. This is your member's share of subtractions allocable to Illinois.

**<u>=Note</u>** If this member is an individual, partnership, trust, or estate and received Illinois August 1, 1969, appreciation amounts from you, include those amounts in the total you enter on their Schedule K-1-P(3), Line 11 as follows.

If this member is

- an individual, **and** their Schedule K-1-P, Column B, Line 50
- blank, total the amounts on their Schedule K-1-P, Column B, Lines 48, 49, and 51 and include it in the total you enter on their Schedule K-1-P(3), Line 11.
- ☐ greater than zero, total the amounts on their Schedule K-1-P, Column B, Lines 48, 50, and 51 and include it in the total you enter on their Schedule K-1-P(3), Line 11.
- a partnership, trust, or estate, total the amounts on their Schedule K-1-P, Column B, Lines 48, 49, and 51 and include it in the total you enter on their Schedule K-1-P(3), Line 11. Do not include any amount shown on their Schedule K-1-P, Column B, Line 50.

If this member is a corporation (including S corporations) **do not** include any amounts shown on their Schedule K-1-P, Column B, Lines 48 through 51, in the total you enter on their Schedule K-1-P(3), Line 11.

**Line 12 -** Follow the instructions on the schedule. Enter this amount here **and** on your Form IL-1065 or Form IL-1120-ST, Schedule B, Section B, Column G, on the line which reports this member's amounts.

<u>=Note</u> Individuals and estates are not subject to replacement tax. If this member is a nonresident individual or estate, enter "0" on Line 13 through Line 15 and continue on Line 16.

**Line 13 -** Determine your member's tax type, multiply the amount on Line 12 by the applicable percentage, and enter the result on this line.

**You must also** add the amount on Line 13 and the amount on Line 16 (if applicable) and enter the result on your Form IL-1065 or Form IL-1120-ST, Schedule B, Section B, Column H, on the line which reports this member's amounts.

**Line 14 -** Enter the total amount of replacement tax investment credit passed through to this member and available for use this year, as shown on their Schedule K-1-P.

**You must also** add the amount on Line 14 and the amount on Line 17 (if applicable) and enter the result on your Form IL-1065 or Form IL-1120-ST, Schedule B, Section B, Column I, on the line which reports this member's amounts.

**Line 15 -** Follow the instructions on the schedule.

**Line 16 -** Determine your member's tax type, multiply the amount on Line 12 by the applicable percentage, and enter the result on this line.

**You must also** add the amount on Line 16 and the amount on Line 13 (if applicable) and enter the result on your Form IL-1065 or Form IL-1120-ST, Schedule B, Section B, Column H, on the line which reports this member's amounts.

**Line 17 -** Enter the total amount of income tax credits passed through to this member and available for use this year, as shown on their Schedule K-1-P.

Page 6 of 7 Schedule K-1-P(1) (R-12/16)

**You must also** add the amount on Line 17 and the amount on Line 14 (if applicable) and enter the result on your Form IL-1065 or Form IL-1120-ST, Schedule B, Section B, Column I, on the line which reports this member's amounts.

Line 18 - Follow the instructions on the schedule.

**Line 19 -** Follow the instructions on the schedule. This is your member's total pass-through withholding payment. Enter the result on this line and on this member's Schedule K-1-P, Step 7, Line 54.

**You must also** enter the result on your Form IL-1065 or Form IL-1120-ST, Schedule B, Section B, Column J, on the line which reports this member's amounts.

**Note** Complete a separate Schedule K-1-P(3) for each of your nonresident members who have not submitted a Form IL-1000-E to you. Do not submit Schedule K-1-P(3) to the Department unless we specifically request it from you.

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Schedule K-1-P(1) (R-12/16) Page 7 of 7

## **General Information**

## What is the purpose of Schedule K-1-P?

The partnership or the S corporation listed on the front of Schedule K-1-P has completed and provided you with the schedule to reflect your specific share of the partnership's or the S corporation's income, modifications, and credits. Use the completed schedule and these instructions to help you report the items shown on Schedule K-1-P on your Illinois Income Tax return. Attach a copy of Schedule K-1-P to your tax return and keep a copy for your records.

### What must I attach?

You **must** attach a copy of **any Schedule K-1-P** you receive from partnerships and S corporations to your tax return. You should also keep a copy for your records.

**=Note**→ If you receive a Schedule K-1-P that has "the following information is included in the Schedule K-1-P from \_\_\_\_\_\_" (the name of the partnership or S corporation) written at the top, it is a pro forma Schedule K-1-P. The pro forma Schedule K-1-P has been included to aid you in the completion of your return and should **not** be submitted with your tax return.

## What if the partnership is an investment partnership?

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, all of the income you receive from the partnership is usually treated as nonbusiness income that is allocable to your state of residence (individuals) or state of commercial domicile (all other persons or entities). However, the income you receive from the partnership will be treated as business income if your investment in the partnership is related to another business activity of yours or serves an operational function to another business activity of yours or where your contribution to the partnership was made out of working capital from your trade or business. If your income is treated as business income, you must apportion it as if you had earned the income directly, rather than through the partnership. The apportionment should be completed on the correct forms, as follows:

Nonresident individuals - use Form IL-1040, Schedule NR.

Nonresident trusts and estates - use Form IL-1041, Schedule NR.

<u>=Note</u>→ Illinois residents may not include any income from an investment partnership in Column B of their Schedule CR.

**Corporations** (excluding S corporations) - use Form IL-1120 and complete Step 4, Figure your income allocable to Illinois.

**Partnerships or S corporations** - use Form IL-1065 or Form IL-1120-ST and complete Step 6, Figure your income allocable to Illinois.

**Exempt organizations** - use Form IL-990-T and complete Step 3, Figure your income allocable to Illinois.

## What if I am engaged in a unitary business with this partnership?

If you are engaged in a unitary business with this partnership but the partnership is not included in your Schedule UB, Combined Apportionment for Unitary Business Group, the partnership should have attached a schedule showing your share of the partnership's apportionment factors and business income. You must determine the portion of your business income taxed by Illinois by adding your share of the partnership's business income and apportionment factors to your own business income and apportionment factors. If the partnership is included in your Schedule UB, report the items on the Schedule K-1-P in the same manner as you would report the items from a non-unitary partner.

### What if I am a Grantor Trust or Disregarded Entity?

If you are a grantor trust or other disregarded entity for federal and Illinois income tax purposes, check the applicable box on Line 9b, enter the name and identification number of the taxpayer that will report the income or loss from your Schedule K-1-P on their tax return, and provide them with a copy of the Schedule K-1-P and a copy of these instructions.

## What if I received Schedule K-1-P from a Grantor Trust or Disregarded Entity?

If the grantor trust or disregarded entity checkbox on Line 9b is checked and your name and identification number are listed, report the items from the Schedule K-1-P as if it were provided to you by the taxpayer in Step 1.

## What if I believe the partnership or the S corporation has made an error on my Schedule K-1-P?

If you believe the partnership or the S corporation has made an error on your Schedule K-1-P, notify the partnership or the S corporation and ask for a corrected Schedule K-1-P. Do not change any items on your copy.

### What does Column A represent?

Column A represents your specific share of the partnership's or the S corporation's income, modifications, and credits. The partnership or the S corporation is required to complete this column if you were a partner or shareholder at any time during the partnership's or the S corporation's tax year. If you were a resident of Illinois on the last day of the partnership's or S corporation's taxable year, all amounts in Column A must be included as income, modifications, and credits allocated to Illinois. If you were a resident of Illinois on the last day of the partnership's or the S corporation's tax year, **and** you are claiming a credit for taxes paid to another state, see "What does Column B represent?" below.

### What does Column B represent?

Column B represents the portion of Column A that is allocated or apportioned to Illinois. If you were not a resident of Illinois on the last day of the partnership's or the S corporation's tax year, be sure the amounts reported in Column B are included in the Illinois amounts reported on your

- Form IL-1040, Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, Column B;
- Form IL-1041, Schedule NR, Nonresident Computation of Fiduciary Income, Column B;
- Form IL-1120, Step 4, Figure your income allocable to Illinois;
- Form IL-1065 or Form IL-1120-ST, Step 6, Figure your income allocable to Illinois; or
- Form IL-990-T, Step 3, Figure your income allocable to Illinois.

If you were a resident of Illinois on the last day of the partnership's or the S corporation's tax year, and you are claiming a credit for taxes paid to another state, subtract the amount of each item in Column B

Schedule K-1-P(2) (R-12/16) Page 1 of 10

from the amount of that item in Column A, and include the difference in the Non-Illinois Portion column for that item on your

- Form IL-1040, Schedule CR, Credit for Tax Paid to Other States, or
- Form IL-1041, Schedule CR, Credit for Tax Paid to Other States.

**Steps 3 and 4 - Column B** — Step 3, Column B represents your share of the partnership's or the S corporation's nonbusiness income allocated to Illinois. Step 4, Column B, represents your share of the partnership's or the S corporation's business income apportioned to Illinois.

## **Step-by-Step Instructions** for individuals filing Form IL-1040

## Steps 3 and 4 - Your share of nonbusiness and business income or loss —

Follow the Steps 3 and 4 instructions to determine the amounts to include on your Form IL-1040, Schedule NR or Schedule CR.

Column A - Member's share — The amounts reported on Lines 10 through 31 must match your federal Schedule K-1.

Column B - Illinois share — To determine the amount to include on specific lines of your Form IL-1040 and Schedule NR, add specific lines in Step 3, Column B, to specific lines in Step 4, Column B. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

**<u>=Note</u>** Use the following instructions in order to include the income from Schedule K-1-P, Steps 3 and 4, on your Form IL-1040, Schedule NR, Step 3, Column B, Lines 5 through 19, or Form IL-1040, Schedule CR, Step 2, Column B, Lines 1 through 15.

**Interest income -** Nonbusiness interest is not taxed by Illinois. Step 3, Column B, Line 10, should be "0." If the Schedule K-1-P you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-P.

**Nonresidents:** Include the amount from Step 4, Column B, Line 23, on your Form IL-1040, Schedule NR, Step 3, Column B, Line 6.

Residents claiming credit for taxes paid in other states: Subtract the amount on Step 4, Column B, Line 23, from the amount on Step 4, Column A, Line 23, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 2.

**Dividend income -** Nonbusiness dividends are not taxed by Illinois. Step 3, Column B, Line 11, should be "0." If the Schedule K-1-P you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-P.

**Nonresidents:** Include the amount from Step 4, Column B, Line 24, on your Form IL-1040, Schedule NR, Step 3, Column B, Line 7.

Residents claiming credit for taxes paid in other states: Subtract the amount on Step 4, Column B, Line 24, from the amount on Step 4, Column A, Line 24, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 3.

Rents, royalties, partnerships, S corporations, estates, and trusts - Enter the amounts from Columns A and B, Steps 3 and 4, for each line item and add all the amounts for each Column.

	Column A	Column B
Line 12		
Line 13		
Line 14		
Line 15		
Line 20		
Line 21		
Line 22		
Line 25		
Line 28		
Line 29		
Total		

**Note** ■ Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Nonresidents**: Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 3, Column B, Line 15.

Residents claiming taxes paid in other states: Subtract the amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 11.

**Capital gain or loss -** Enter the amounts from Columns A and B, Steps 3 and 4, for each line item and add all the amounts for each column.

	Column A	Column B
Line 16		
Line 17		
Line 18		
Line 26		
Line 27		
Total		

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 3, Column B, Line 11.

<u>Note</u> You may include any capital loss amounts on your Form IL-1040, Schedule NR, Step 3, Column B, Line 11, only to the extent those loss amounts are included in your federal adjusted gross income.

**Residents claiming taxes paid in other states**: Subtract the amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 7.

**Other gains or losses -** Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Nonresidents:** Include the amount from Step 4, Line 30, Column B, on your Form IL-1040, Schedule NR, Step 3, Column B, Line 12.

Residents claiming taxes paid in other states: Subtract the amount on Step 4, Column B, Line 30, from the amount on Step 4, Column A, Line 30, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 8.

Schedule K-1-P(2) (R-12/16)

**Other income -** The partnership or the S corporation is required to identify or send you a breakdown of the items reported on Step 3, Line 19, and Step 4, Line 31. This identification or breakdown will determine on what lines of your federal return you need to report the income in Column A.

**Nonresidents:** The amounts reported in Column B need to be reported on the corresponding lines of your Form IL-1040, Schedule NR, Column B.

Residents claiming taxes paid in other states: Subtract the amounts in Column B from the corresponding amounts in Column A, and include the results on the appropriate lines of your Form IL-1040, Schedule CR, Step 2, Column B.

## Step 5 - Your share of Illinois additions and subtractions —

Column A - Member's share of additions —

**Lines 32 through 37 -** The amounts on these lines are reported in your Illinois base income by including them on your Form IL-1040, Schedule M, Other Additions and Subtractions for Individuals, Step 2, Line 2 (see Form IL-1040 instructions).

## Column A - Member's share of subtractions —

Add Step 5, Column A,	
Line 38a	
Line 38b	
Line 41	
Line 42	
Line 43	
Line 44	
Line 45	
Line 46	
Line 47	
Total	

Enter the total on Form IL-1040, Schedule M, Other Additions and Subtractions for Individuals, Step 3, Line 13 (see Form IL-1040, Schedule M Instructions).

**Line 39 -** Include the amount from Line 39 on your Form IL-1040, Schedule 1299-C, Step 2, Line 2.

**Line 40 -** Include the amount from Line 40 on your Form IL-1040, Schedule 1299-C, Step 2, Line 5.

### Column B - Illinois share —

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

Lines 32 through 37 - Add Lines 32 through 37 for both Column A and Column B.

	Column A	Column B
Line 32		
Line 33		
Line 34		
Line 35		
Line 36		
Line 37		
Total		

**Nonresidents**: Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 4, Column B, Line 40. Schedule K-1-P(2) (R-12/16)

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1040, Schedule CR, Step 3, Column B, Line 35

**Lines 38a through 47 -** Add Lines 38a through 47 for both Column A and Column B.

	Column A	Column B
Line 38a		
Line 38b		
Line 39		
Line 40		
Line 41		
Line 42		
Line 43		
Line 44		
Line 45		
Line 46		
Line 47		
Total		

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 4, Column B, Line 44.

Residents claiming credit for taxes paid to other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1040, Schedule CR, Step 3, Column B, Line 39.

## Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts —

### Column A - Member's share —

**Line 48 -** Include the amount from Line 48 on your Form IL-1040, Schedule F, Step 3, Column H, Line 6.

**Lines 49 and 50 -** If Line 50 is blank, include the amount on Line 49 on your Schedule F, Step 3, Column I, Line 6. Otherwise, skip Line 49 and include the amount on Line 50 on your Form IL-1040, Schedule F, Step 3, Column I, Line 6.

**Line 51 -** Include the amount from Line 51 on your Form IL-1040, Schedule F, Step 2, Line 2.

## Column B - Illinois share —

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

Lines 48 through 51 - Enter the amounts from Columns A and B.

If Line 50 is blank, add Lines 48, 49, and 51 for both Columns A and B. Otherwise, add Lines 48, 50, and 51.

	Column A	Column B
Line 48		
Line 49		
Line 50		
Line 51		
Total		

**Nonresidents:** Include the total amount from Column B as a subtraction on your Form IL-1040, Schedule NR, Step 4, Column B, Line 44.

Residents claiming taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 3, Column B, Line 39.

## Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge — If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 55, see the specific instructions for Step 7 at the end of these instructions for more information.

## Step-by-Step Instructions for trusts or estates filing Form IL-1041

## Steps 3 and 4 - Your share of nonbusiness and business income or loss —

Follow the Steps 3 and 4 instructions to determine the amounts to include on your Form IL-1041, Schedule NR or Schedule CR.

Column A - Member's share — The amounts reported on Lines 10 through 31 must match your federal Schedule K-1.

Column B - Illinois share — To determine the amount to include on specific lines of your Form IL-1041 and Schedule NR, add specific lines in Step 3, Column B, to specific lines in Step 4, Column B. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

**Interest income -** Nonbusiness interest is not taxed by Illinois. Step 3, Column B, Line 10, should be "0." If the Schedule K-1-P you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-P.

**Nonresidents:** Include your fiduciary's share of business interest from Step 4, Column B, Line 23, on your Form IL-1041, Schedule NR, Step 3, Column C, Line 1.

Residents claiming credit for taxes paid in other states: Subtract the amount on Step 4, Column B, Line 23, from the amount on Step 4, Column A, Line 23, and include the result on your Form IL-1041, Schedule CR, Step 2, Column C, Line 1.

**Dividend income** - Nonbusiness dividends are not taxed by Illinois. Step 3, Column B, Line 11, should be "0." If the Schedule K-1-P you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-P.

**Nonresidents:** Include your fiduciary's share of business dividends from Step 4, Column B, Line 24, on your Form IL-1041, Schedule NR, Step 3, Column C, Line 2.

Residents claiming credit for taxes paid in other states: Subtract the amount on Step 4, Column B, Line 24, from the amount on Step 4, Column A, Line 24, and include the result on your Form IL-1041, Schedule CR, Step 2, Column C, Line 2.

## Income or loss from partnerships & S corps -

Enter the amounts from Steps 3 and 4, Columns A and B, for each line item and add all amounts for each column.

	Column A	Column B
Line 12		
Line 13		
Line 14		
Line 15		
Line 16		
Line 17		
Line 18		
Line 19		
Line 20		
Line 21		
Line 22		
Line 25		
Line 26		
Line 27		
Line 28		
Line 29		
Line 30		
Line 31		
Total		

**Note** → Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Nonresidents:** Include your fiduciary's share of this total amount from Column B on your Form IL-1041, Schedule NR, Step 3, Column C, Line 6.

Note → You may include any capital loss amounts on your Form IL-1041, Schedule NR, Step 3, Column C, Line 6, only to the extent those loss amounts are included in your federal taxable income.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1041, Schedule CR, Step 2, Column C, Line 6.

## Step 5 - Your share of Illinois additions and subtractions —

Column A - Member's share of additions —

**Lines 32 through 37 -** The amounts on these lines are reported in your Illinois base income by including them on your Form IL-1041, Step 2, Line 9

Page 4 of 10 Schedule K-1-P(2) (R-12/16)

# Add Step 5, Column A, Line 38a Line 38b Line 41 Line 42 Line 43 Line 44 Line 45 Line 46 Line 47 Total

Column A - Member's share of subtractions —

Enter the total on Form IL-1041, Step 3, Line 22.

**Line 39 -** Include the amount from Line 39 on your Schedule 1299-B, Step 1, Line 2.

**Line 40 -** Include the amount from Line 40 on your Schedule 1299-B, Step 1, Line 5.

### Column B - Illinois share —

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

Lines 32 through 37 - Add Lines 32 through 37 for both Column A and Column B.

	Column A	Column B
Line 32		
Line 33		
Line 34		
Line 35		
Line 36		
Line 37		
Total		

**Nonresidents:** Include the total amount from Column B on your Form IL-1041, Schedule NR, Step 4, Column B, Line 35.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 32.

**Lines 38a, 38b, and 41 through 47 -** Add Lines 38a, 38b, and 41 through 47 for both Column A and Column B.

· ·	Column A	Column B
Line 38a		
Line 38b		
Line 41		
Line 42		
Line 43		
Line 44		
Line 45		
Line 46		
Line 47		
Total		

**Nonresidents:** Include the total amount from Column B on your Form IL-1041, Schedule NR, Step 4, Column B, Line 47.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 45.

### Line 39 -

**Nonresidents:** Include the amount from Column B on your Form IL-1041, Schedule NR, Step 4, Column B, Line 42.

Residents claiming credit for taxes paid in other states: Subtract the amount in Column B from the amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 40.

### Line 40 -

**Nonresidents:** Include the amount from Column B on your Form IL-1041, Schedule NR, Step 4, Column B, Line 43.

Residents claiming credit for taxes paid in other states: Subtract the amount in Column B from the amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 41.

## Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts —

### Column A - Member's share —

**Line 48 -** Include the amount from Line 48 on your Form IL-1041, Schedule F, Column K, Line 2.

**Line 49 -** Include the amount from Line 49 on your Form IL-1041, Schedule F, Column L, Line 2.

**Line 51 -** Include the amount from Line 51 on your Form IL-1041, Schedule F, Column M, Line 2.

## Column B - Illinois share —

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

Lines 48, 49, and 51 - Enter the amounts from Columns A and B.

	Column A	Column B
Line 48		
Line 49		
Line 51		
Total		

**Nonresidents:** Add Lines 48, 49 and 51, Column B. Include the total amount as a subtraction on your Form IL-1041, Schedule NR, Step 4, Column B, Line 38.

**Residents claiming taxes paid in other states**: Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 36.

Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge — If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 55, see the specific instructions for

Step 7 at the end of these instructions for more information.

## **Step-by-Step Instructions** for partnerships filing Form IL-1065 and S Corporations filing Form IL-1120-ST

## Steps 3 and 4 - Your share of nonbusiness and business income or loss —

Column A - Member's share — The amounts reported on Lines 10 through 31 must match your federal Schedule K-1.

Column B - Illinois share — To determine the amount to include on specific lines of your Form IL-1065 or Form IL-1120-ST, add specific lines in Step 3, Column B, to specific lines in Step 4, Column B. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

Lines 10 through 31 - Include the amounts in Step 3, Column B in the total amount you report on your Schedule NB.

**<u>=Note</u>** Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**<u>=Note</u>** You may include any capital loss amounts on your Schedule NB only to the extent those loss amounts are included in your unmodified base income on Form IL-1065 or IL-1120-ST, Step 3, Line 13.

Include the amounts in Step 4, Column B in the total amount you report on Step 6, Line 45, of your Forms IL-1065 or Form IL-1120-ST.

Note → You may include any capital loss amounts on your Form IL-1065 or Form IL-1120-ST, Step 6, Line 45, only to the extent those loss amounts are included in your unmodified base income on Form IL-1065 or Form IL-1120-ST, Step 3, Line 13.

## Step 5 - Your share of Illinois additions and subtractions —

Column A - Member's share of additions —

Lines 32 through 37 - The amounts on these lines are reported in your Illinois base income by including them on Step 4, Line 19, of your Form IL-1065 or IL-1120-ST.

Column A - Member's share of subtractions —

Lines 38a, 38b, and 44 through 47 - The amounts on these lines are reported in your Illinois base income by including the total of these lines on Step 5, Line 32, of your Form IL-1065 or Form IL-1120-ST.

Line 39 - Include the amount from Line 39 on your Schedule 1299-A, Step 1, Line 2.

Line 40 - Include the amount from Line 40 on your Schedule 1299-A, Step 1, Line 5.

Line 41 - Include the amount from Line 41 on your Schedule 1299-A, Step 1, Line 8.\*

Line 42 - Include the amount from Line 42 on your Schedule 1299-A. Step 1, Line 11.\*

Line 43 - Include the amount from Line 43 on your Schedule 1299-A. Step 1, Line 14.\*

\*Partnerships filing Form IL-1065 are not eligible for these subtractions.

In addition, report the business and nonbusiness amounts in Column A, Lines 32 through 47 as indicated in the following instructions.

Column A - Member's share of business and nonbusiness amounts —

### Lines 32 through 47 -

Nonbusiness amounts - Enter the total of any nonbusiness amounts from Column A, Lines 32 through 37 and 38b through 47 (do not include amounts from Line 38a).

A Total of nonbusiness amounts from Column A, Lines 32 through 37. **B** Total of nonbusiness amounts from Column A, Lines 38b through 47. C Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on your Schedule NB.

**Business amounts -** Enter the total of any business amounts from Column A, Lines 32 through 37 and 38a through 47 (excluding Line 38b).

A Total of business amounts from Column A, Lines 32 through 37. **B** Total of business amounts from Column A. Lines 38a through 47 (excluding Line 38b). \_ C Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on Step 6, Line 37, of your Form IL-1065 or Form IL-1120-ST.

### Column B - Illinois share —

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

### Lines 32 through 47 -

Nonbusiness amounts - Enter the total of any nonbusiness amounts from Column B, Lines 32 through 37 and 38b through 47 (do not include amounts from Line 38a).

A Total of nonbusiness amounts from Column B. Lines 32 through 37. **B** Total of nonbusiness amounts from Column B, Lines 38b through 47.

C Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on your Schedule NB.

Page 6 of 10 Schedule K-1-P(2) (R-12/16) **Business amounts -** Enter the total of any business amounts from Column B, Lines 32 through 37 and 38a through 47 (excluding Line 38b).

A Total of business amounts from Column B, Lines 32 through 37.

**B** Total of business amounts from Column B, Lines 38a through 47 (excluding Line 38b).

C Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on Step 6, Line 45, of your Form IL-1065 or Form IL-1120-ST.

## Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts —

Column A - Member's share —

**Line 48** - Include the amount from Line 48 on your Schedule F, Line 2, Column K.

**Line 49 -** Include the amount from Line 49 on your Schedule F, Line 2, Column L.

**Line 51** - Include the amount from Line 51 on your Schedule F, Line 2, Column M.

### Column B - Illinois share —

Use the information in Column B when completing Step 6 of the Schedule K-1-P for your partners or shareholders.

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge — If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 55, see the specific instructions for Step 7 at the end of these instructions for more information.

## **Step-by-Step Instructions** for corporations filing Form IL-1120

## Steps 3 and 4 - Your share of nonbusiness and business income or loss —

Column A - Member's share — See General Information.

Column B - Illinois share — Step 3 represents your share of the partnership's or the S corporation's nonbusiness income allocated to Illinois. Step 4 represents your share of the partnership's or the S corporation's business income apportioned to Illinois. To determine the amount to include on specific lines of your IL-1120, add specific lines in Step 3, Column B, to specific lines in Step 4, Column B. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

**Lines 10 through 31 -** Include the amounts in Step 3, Column B in the total amount you report on your Schedule NB.

**<u>=Note</u>** Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**<u>=Note</u>** You may include any capital loss amounts on your Schedule NB only to the extent those loss amounts are included in your federal taxable income.

Include the amounts in Step 4, Column B in the total amount you report on your Form IL-1120, Step 4, Line 33.

**<u>=Note</u>**→ You may include any capital loss amounts on your Form IL-1120, Step 4, Line 33, only to the extent those loss amounts are included in your federal taxable income.

## Step 5 - Your share of Illinois additions and subtractions —

Column A - Member's share of additions —

**Lines 32 through 37 -** The amounts on these lines are reported in your Illinois base income by including them on your Form IL-1120, Step 2, Line 7.

### Column A - Member's share of subtractions —

**Lines 38a, 38b, and 44 through 47 -** The amounts on these lines are reported in your Illinois base income by including the total of these lines on your Form IL-1120, Step 3, Line 20.

**Line 39 -** Include the amount from Line 39 on your Schedule 1299-B, Step 2, Line 10.

**Line 40 -** Include the amount from Line 40 on your Schedule 1299-B, Step 2, Line 13.

**Line 41 -** Include the amount from Line 41 on your Schedule 1299-B, Step 2, Line 16.

**Line 42 -** Include the amount from Line 42 on your Schedule 1299-B, Step 2, Line 19.

**Line 43 -** Include the amount from Line 43 on your Schedule 1299-B, Step 2, Line 22.

In addition, report the business and nonbusiness amounts in Column A, Lines 32 through 47 as indicated in the following instructions

Column A - Member's share of business and nonbusiness amounts —

### Lines 32 through 47 -

**Nonbusiness amounts -** Enter the total of any nonbusiness amounts from Column A, Lines 32 through 37 and 38b through 47 (do not include amounts from Line 38a).

Schedule K-1-P(2) (R-12/16) Page 7 of 10

A	Total of nonbusiness amounts from	Lines 32 through 47 -	
В	Column A, Lines 32 through 37.  Total of nonbusiness amounts from Column A, Lines 38b through 47.	<b>Nonbusiness amounts -</b> Enter the total of any nonbusiness amounts from Column B, Lines 32 through 37 and 38b through 47 (do not include amounts from Line 38a).	
C Subtract Line B from Line A.  Include the total amount from Line C in the total amount reported on your Schedule NB.  Business amounts - Enter the total of any business amounts from Column A, Lines 32 through 37 and 38a through 47 (excluding		A Total of nonbusiness amounts from Column B, Lines 32 through 37.	
		B Total of nonbusiness amounts from Column B, Lines 38b through 47.  C Subtract Line B from Line A.	
_	Total of business amounts from Column A, Lines 32 through 37.	Include the total amount from Line C in the total amount reported on your Schedule NB.	
В	Total of business amounts from Column A, Lines 38a through 47 (excluding Line 38b).	<b>Business amounts -</b> Enter the total of any business amounts from Column B, Lines 32 through 37 and 38a through 47 (excluding Line 38b).	
	Subtract Line B from Line A.  Clude the total amount from Line C in the total amount reported on	A Total of business amounts from Column B, Lines 32 through 37.	
	ep 4, Line 25, of your Form IL-1120.  olumn B - Illinois share —	<b>B</b> Total of business amounts from Column B, Lines 38a through 47 (excluding Line 38b).	
	he partnership that completed the Schedule K-1-P entered "investment	C Subtract Line B from Line A.	
pai	rtnership" in Step 1, Line 4, Column B should be blank. Do not use Column B instructions for this step. Instead, refer to the instructions	Include the total amount from Line C in the total amount reported on Step 4, Line 33, of your Form IL-1120.	
under General Information, "What if the partnership is an investment partnership?"		Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge — If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 55, see the specific instructions for Step 7 at the end of these instructions for more information.	
		ep Instructions tions filing Form IL-990-T	
St	tep 4 - Your share of business income or loss —	Include the amounts in Step 4, Column B in the total amount you report	
C	olumn A - Member's share — See General Information.	on your Form IL-990-T, Step 3, Line 10.	
the	column B - Illinois share — Step 4 represents your share of	Form IL-990-T, Step 3, Line 10, only to the extent those loss amounts are included in your unrelated business taxable income.	
Illinois. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.			
	what line of your form or schedule these totals are to be included.		
If to pa	nois. The following instructions explain what lines to add together and what line of your form or schedule these totals are to be included. The partnership that completed the Schedule K-1-P entered "investment rtnership" in Step 1, Line 4, Column B should be blank. Do not use a Column B instructions for this step. Instead, refer to the instructions	are included in your unrelated business taxable income.  Step 5 - Your share of Illinois additions and	
If to pa the un	nois. The following instructions explain what lines to add together and what line of your form or schedule these totals are to be included. he partnership that completed the Schedule K-1-P entered "investment rtnership" in Step 1, Line 4, Column B should be blank. Do not use a Column B instructions for this step. Instead, refer to the instructions der General Information, "What if the partnership is an investment	are included in your unrelated business taxable income.  Step 5 - Your share of Illinois additions and subtractions —  Column A - Member's share of business	
If to pay the un pay	nois. The following instructions explain what lines to add together and what line of your form or schedule these totals are to be included. The partnership that completed the Schedule K-1-P entered "investment rtnership" in Step 1, Line 4, Column B should be blank. Do not use a Column B instructions for this step. Instead, refer to the instructions	are included in your unrelated business taxable income.  Step 5 - Your share of Illinois additions and subtractions —  Column A - Member's share of business amounts —  Lines 32 through 47 (excluding Line 38b) -  Business amounts - Enter the total of any business amounts from Column A, Lines 32 through 37 and 38a through 47 (excluding	
If the un pa	hois. The following instructions explain what lines to add together and what line of your form or schedule these totals are to be included. The partnership that completed the Schedule K-1-P entered "investment rtnership" in Step 1, Line 4, Column B should be blank. Do not use a Column B instructions for this step. Instead, refer to the instructions der General Information, "What if the partnership is an investment rtnership?"  The second of the s	are included in your unrelated business taxable income.  Step 5 - Your share of Illinois additions and subtractions —  Column A - Member's share of business amounts —  Lines 32 through 47 (excluding Line 38b) -  Business amounts - Enter the total of any business amounts	
If the parties the un parties See ga	hois. The following instructions explain what lines to add together and what line of your form or schedule these totals are to be included. The partnership that completed the Schedule K-1-P entered "investment rtnership" in Step 1, Line 4, Column B should be blank. Do not use a Column B instructions for this step. Instead, refer to the instructions der General Information, "What if the partnership is an investment rtnership?"  The second of the s	are included in your unrelated business taxable income.  Step 5 - Your share of Illinois additions and subtractions —  Column A - Member's share of business amounts —  Lines 32 through 47 (excluding Line 38b) -  Business amounts - Enter the total of any business amounts from Column A, Lines 32 through 37 and 38a through 47 (excluding Line 38b).  A Total of business amounts from Column A, Lines 32 through 37.  B Total of business amounts from Column A, Lines 38a through 47 (excluding Line 38b)	
If the parties the un parties See ga	nois. The following instructions explain what lines to add together and what line of your form or schedule these totals are to be included. The partnership that completed the Schedule K-1-P entered "investment rtnership" in Step 1, Line 4, Column B should be blank. Do not use a Column B instructions for this step. Instead, refer to the instructions der General Information, "What if the partnership is an investment rtnership?"  **nes 20 through 31 - Include the amounts in Step 4, Column A in the total amount you report on your Form IL-990-T, Step 3, Line 4.  **Interior Do not double count items reported as both unrecaptured action 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 tins on Schedule K-1-P, Line 30.  **Interior Do not double any capital loss amounts on your	are included in your unrelated business taxable income.  Step 5 - Your share of Illinois additions and subtractions —  Column A - Member's share of business amounts —  Lines 32 through 47 (excluding Line 38b) -  Business amounts - Enter the total of any business amounts from Column A, Lines 32 through 37 and 38a through 47 (excluding Line 38b).  A Total of business amounts from Column A, Lines 32 through 37.  B Total of business amounts from Column A,	

Step 3, Line 4, of your Form IL-990-T.

Schedule K-1-P(2) (R-12/16)

### Column B - Illinois share —

Lines 32 through 47 (excluding Line 38b) -

**Business amounts -** Enter the total of any business amounts from Column B, Lines 32 through 37 and 38a through 47 (excluding Line 38b).

A Total of business amounts from Column B, Lines 32 through 37.

**B** Total of business amounts from Column B, Lines 38a through 47 (excluding Line 38b).

**C** Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on Step 3, Line 10, of your Form IL-990-T.

# Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge — If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 55, see the specific instructions for Step 7 at the end of these instructions for more information.

## **Specific Instructions**

for Step 7 - Your share of the Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge

Line 52 - Illinois Credits — The following credits are available for partnerships and S corporations to pass through to you.

Line 52a - Film Production Services Tax Credit

Line 52b - Enterprise Zone Investment Credit

Line 52c - River Edge Redevelopment Zone Investment Credit

Line 52d - Tax Credit for Affordable Housing Donations

**Line 52e -** Economic Development for a Growing Economy (EDGE)

Tax Credit

Line 52f - Ex-Felons Jobs Credit

Line 52g - Veterans Jobs Credit

Line 52h - Student-Assistance Contribution Credit

Line 52i - Angel Investment Credit

Line 52j - New Markets Credit

Line 52k - River Edge Historic Preservation Credit

Line 52I - Live Theater Production Credit

Line 52m - Hospital Credit

Line 52n - Replacement Tax Investment Credit

Use the chart below to include any credit amounts passed to you.

**Note** → For tax years ending on or after December 31, 2000, partnerships and S corporations automatically pass these credits through to their partners or shareholders that are subject to replacement tax.

**Lines 53a, 53b, and 53c** — **Recapture** — Your share of recapture is based on your share of the original investment credit.

- If you shared in the original credit and you are no longer a partner or shareholder of the partnership or the S corporation in the year of recapture, Lines 53a, 53b, and 53c will be the only lines completed on this schedule.
- If your share in the year of the original investment credit is different from your share in the year of the recapture, Lines 53a, 53b, and 53c will be completed and the partnership or the S corporation will attach a sheet explaining the difference.

If recapture is reported to you for a particular investment credit, and you claimed the corresponding credit against your Illinois income or replacement tax liability in a previous year, you must file a completed Illinois Income Tax return including Schedule 4255, Recapture of Investment Tax Credits. Include the total amount from

Includ	le the amount from Schedule K-1-P, Step 7, Line	Individuals: on Schedule 1299-C, Step 3, Line	Trusts/Estates/Corporations/ Exempt Orgs: on Schedule 1299-D, Step 1, Line	Partnerships/S corporations: on Schedule 1299-A, Step 2, Line
52a	Film Production Services Tax Credit	5	5	16b
52b	Enterprise Zone Investment Credit	10	11	18
52c	River Edge Redevelopment Zone Investment Credit	13	16	21
52d	Tax Credit for Affordable Housing Donations	19	21	24
52e	EDGE Tax Credit	16	24	27
52f	Ex-Felons Jobs Credit	25	32	30
52g	Veterans Jobs Credit	28	35	33
52h	Student-Assistance Contribution Credit	31	38	36
52i	Angel Investment Credit	37	41	39
52j	New Market Credit	34	44	42
52k	River Edge Historic Preservation Credit	40	49	45
521	Live Theater Production Credit	43	52	48
52m	Hospital Credit	50	59	55
52n	Replacement Tax Investment Credit	n/a	Form IL-477, Line 4	Form IL-477, Line 4

Schedule K-1-P(2) (R-12/16) Page 9 of 10

- Schedule K-1-P Lines 53a and 53b on Schedule 4255, Step 4, Line 15, and
- Schedule K-1-P Line 53c on Schedule 4255 Step 5, Line 20.

**Line 54** — If the partnership or S corporation made income tax payments on your behalf, include the amount on your

- Form IL-1040, Step 9, Line 28,
- Form IL-1041, Step 7, Line 54c,
- Form IL-1065, Step 9, Line 61c,
- Form IL-1120-ST, Step 9, Line 60c,
- Form IL-1120, Step 8, Line 60d, or
- Form IL-990-T Step 6, Line 28d.

individuals, trusts, estates, partnerships, and corporations (including S corporations) only - Pass-through withholding payments made on your behalf and reported to you on Schedule K-1-P, Line 54, are based on items of business income and certain items of nonbusiness income only. If you had Illinois income from other sources and the payments made on your behalf do not cover your liability, you must file a return to report the tax on all of your Illinois income and claim a credit for pass-through withholding payments made on your behalf.

**Line 55** — This is your share of federal income attributable to transactions subject to the Compassionate Use of Medical Cannabis Pilot Program Act surcharge. Use this information when calculating the surcharge on your return.

See the instructions below and the instructions for the return you are filing for more information.

## Definitions related to the Compassionate Use of Medical Cannabis Pilot Program Act Surcharge —

**Organization registrant** means a corporation, partnership, trust, limited liability company (LLC), or other organization that holds either a medical cannabis cultivation center registration issued by the Illinois Department of Agriculture or a medical cannabis dispensary registration issued by the Illinois Department of Financial and Professional Regulation.

Transactions subject to the surcharge means sales and exchanges of

- · capital assets;
- depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of an organization registrant.

## What is the surcharge?

For each taxable year beginning or ending during the Compassionate Use of Medical Cannabis Pilot Program, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of an organization registrant under the Compassionate Use of Medical Cannabis Pilot Program Act.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge.

## To whom does the surcharge apply?

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a "transaction subject to the surcharge," including individuals and other taxpayers who are not themselves the "organization registrant" that engaged in the transaction.

A partner or shareholder who incurs a federal income tax liability on income from a transaction subject to surcharge passed through from a partnership or S corporation will incur a surcharge.

**Note** Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

## How do I use the amount reported on Line 55?

The amount reported on Line 55 identifies your share of any federal income attributable to transactions subject to the surcharge. The partnership and S corporation listed in Step 1 should have also provided you with a breakdown itemizing any amount reported on Line 55.

Use this information when completing the "Compassionate Use of Medical Cannabis Pilot Program Act Surcharge Worksheet" found in the instructions for the return you are filing. Line 55 identifies federal income attributable to transactions subject to the surcharge that should not be included when you complete Line 2 of the worksheet.

**=**Note→ The amount on Line 55 identifies **federal income** attributable to transactions subject to the surcharge, **not** federal income tax liability for the taxable year attributable to the transactions subject to the surcharge. Exclude this income before figuring the federal income tax amount on Line 2 of the worksheet.

For more information, see Illinois Income Tax Regulations, Section 100.2060.

Page 10 of 10 Schedule K-1-P(2) (R-12/16)



## Instructions for Trusts and Estates Completing Schedule K-1-T and Schedule K-1-T(3)

## **General Information**

## What is the purpose of Schedule K-1-T and Schedule K-1-T(3)?

### Schedule K-1-T —

The purpose of Schedule K-1-T, Beneficiary's Share of Income and Deductions, is for you to supply each individual or entity who was a beneficiary at any time during your tax year with that individual's or entity's share of the amounts you reported on your federal income tax return and your Illinois income tax return.

For Illinois Income Tax purposes, you **must** give a completed Schedule K-1-T **and** a copy of the Schedule K-1-T(2), Beneficiary's Instructions, to each beneficiary if any part of your income is paid, credited, distributed, or deemed to have been paid, credited, or distributed by you to that beneficiary. This must be done by the due date, including any extended due date, of your Form IL-1041.

## Schedule K-1-T(3) —

The purpose of Schedule K-1-T(3) is to calculate the required tax you must report and pay on behalf of your nonresident beneficiaries that receive business or nonbusiness income from your fiduciary.

**<u>=Note</u>** Estates are not required to report and pay tax on behalf of their nonresident members.

You are required to report and pay tax on behalf of your members if

- you are a trust with an Illinois filing obligation, and
- you have business or nonbusiness income distributable to Illinois nonresident beneficiaries who have not provided you with Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments.

You **must** complete a Schedule K-1-T(3) for each such member. The pass-through withholding payment amount calculated on Schedule K-1-T(3) will be reported to each applicable member on the Schedule K-1-T you issue to them. Each member's amounts from each Schedule K-1-T(3) you complete must also be reported to the Illinois Department of Revenue on your Schedule D.

For Illinois Income Tax purposes, you **must** complete Schedule K-1-T(3) to calculate the amount of pass-through withholding payment for each of your applicable members **and** keep the schedule with your income tax records. **Do not submit Schedule K-1-T(3) with your income tax return.** You must send us your Schedules K-1-T(3) if we request them.

Do not attach any Schedule K-1-T that you complete and issue to your beneficiaries or any Schedule K-1-T(3) you complete to your Form IL-1041. However, you must

- keep a copy of each Schedule K-1-T and Schedule K-1-T(3) available for inspection by our authorized agents and employees, and
- attach to your Form IL-1041 any Schedule K-1-T issued to you by another trust or estate, as described in Schedule K-1-T(2), Beneficiary's Instructions.

### What is a resident?

A resident is

- an individual who is present in Illinois for other than a temporary or transitory purpose;
- an individual who is absent from Illinois for a temporary or transitory purpose but who is domiciled in Illinois;
- the estate of a decedent who at his or her death was domiciled in Illinois;

- a trust created by a will of a decedent who at his or her death was domiciled in Illinois; or
- an irrevocable trust, whose grantor was domiciled in Illinois at the time the trust became irrevocable. For purposes of this definition, a trust is irrevocable to the extent that the grantor is not treated as the owner of the trust under Internal Revenue Code (IRC) Sections 671 through 678.

### What is a nonresident?

A nonresident is a person who is not a resident, as previously defined. Corporations, S corporations, partnerships, and exempt organizations are considered nonresidents for purposes of Schedule K-1-T and Schedule K-1-T(3).

### What is business income?

Business income means all income, other than employee compensation, that may be apportioned by formula among the states in which you are doing business without violating the Constitution of the United States. All income of a trust or estate is business income unless it is clearly attributable to only one state and is earned or received through activities totally unrelated to any business you are conducting in more than one state. Business income is net of all deductions attributable to that income.

### When is business income allocable to Illinois?

For a resident of Illinois, all income received, regardless of the source, is allocable to Illinois.

For a nonresident of Illinois whose business income is derived

- wholly inside Illinois, the entire amount of business income is allocable to Illinois.
- wholly outside Illinois, none of the business income is allocable to Illinois.
- inside and outside Illinois, a portion of your business income is allocable to Illinois on your Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, Step 6. See Schedule NR instructions.
- from partnerships, S corporations, and other fiduciaries, the business income paid to this fiduciary may be allocable to Illinois. See the Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, furnished by the partnership or S corporation, or the Illinois Schedule K-1-T furnished by the other fiduciary to determine what income is allocable to Illinois.

## What is nonbusiness income?

Nonbusiness income is all income other than business income or employee compensation. It is income you can clearly classify as having no connection to your business.

## When is nonbusiness income allocable to Illinois?

For a resident of Illinois, all nonbusiness income is allocable to Illinois.

For a nonresident of Illinois, items of income and deduction that constitute nonbusiness income are allocable to Illinois according to the following rules:

Interest and dividend income received by a nonresident individual, trust, or estate is not allocable to Illinois. Interest and dividend income of partnerships or corporations is allocable to Illinois if the entity's commercial domicile was in Illinois at the time the interest or dividend was paid or accrued.

Page 1 of 5

Schedule K-1-T(1) (R-12/16) the interest or dividend was paid or accrued. Page 1 of

Net rents and royalties:

**Real property -** Rents and royalties from real property are allocable to Illinois only if the property is located in Illinois.

Tangible personal property - Rents and royalties from tangible personal property are allocable to Illinois to the extent that the property is used in Illinois. The extent of use of tangible personal property in a state is determined by multiplying the rents and royalties derived from the property by a fraction. The numerator is the number of days of physical location of the property in Illinois during the rental and royalty period in the tax year, and the denominator is the number of days of physical location of the property everywhere during all rental or royalty periods in the tax year.

 Patent and copyright royalties are allocable to Illinois to the extent that the patent or copyright is used in Illinois.

A **patent** is used in Illinois to the extent that it is employed in production, fabrication, manufacturing, or other processing in Illinois or to the extent that a patented product is produced in Illinois.

A **copyright** is used in Illinois to the extent that printing or other publication originates in Illinois.

- Gains and losses from sales or exchanges of real or tangible
  personal property are in Illinois if the property is located in Illinois
  at the time of the sale or exchange. Gains or losses from the sale
  or exchange of intangible personal property are allocable to the
  state of residence or commercial domicile of the beneficiary.
- Illinois State Lottery winnings and proceeds from sales or other transfers of rights to lottery winnings are allocable to Illinois.
- Income from S corporations, partnerships, and other
  fiduciaries paid to this fiduciary is allocable to Illinois as if your
  beneficiary received it directly. See the Illinois Schedule K-1-P
  furnished by the partnership or S corporation or the Illinois
  Schedule K-1-T furnished by the other fiduciary to determine what
  income is allocable to Illinois.
- Other unspecified items of income or deduction of a nonresident individual or fiduciary are not allocable to Illinois. Unspecified items of income or deduction for partnerships or corporations, including S corporations, are allocable to Illinois if the entity's commercial domicile was in Illinois at the time the item was paid or accrued.

## K-1-T Step-by-Step Instructions

**Note** You must enter your tax year ending in the space provided on the front of the Schedule K-1-T. Failure to provide this information will result in processing delays for your beneficiary.

## Step 1 — Identify your trust or estate

**Line 1 -** Check the appropriate box to identify yourself as a trust or an estate.

**Line 2 -** Enter the name of your trust or estate as shown on your Form IL-1041.

**Line 3 -** Enter your federal employer identification number (FEIN). If you are a foreign entity and do not have a FEIN, leave Line 3 blank. If you leave this line blank, you may be contacted for further information.

**Line 4 -** Enter the apportionment factor from Schedule NR (Form IL-1041), Step 6, Line 3. If you were not required to complete a Schedule NR, enter "1" on this line.

## Step 2 — Identify your beneficiary

**Line 5 -** Enter the name of the beneficiary to whom you will issue the Illinois Schedule K-1-T.

Line 6 - Enter the mailing address of the beneficiary.

**Line 7 -** Enter the Social Security number or FEIN of the beneficiary here and in the space provided at the top of Page 2.

**Line 8a** - Check the appropriate box to identify this beneficiary as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

If this beneficiary is

- an exempt organization and is taxed as a corporation, check the corporation box on this Schedule K-1-T.
- an exempt organization and is taxed as a trust, check the trust box on this Schedule K-1-T.
- a grantor trust or other disregarded entity, check the box on this Schedule K-1-T that corresponds to the tax type of the grantor or owner.

**Line 8b** - Do not check the grantor trust or disregarded entity checkbox, or enter a name or identification number on this line. These are available for your beneficiary to complete, as applicable.

## Steps 3 through 6 -

**<u>=Note→</u>** If you are a beneficiary of another trust or estate, a partner in a partnership, or a shareholder in an S corporation, you need to complete a pro forma Schedule K-1-T that identifies each beneficiary's share of your share of items received from that entity. Write across the top of the pro forma Schedule K-1-T "the following information is included in the Schedule K-1-T from \_\_\_\_\_\_" (the name of your trust or estate). Send this pro forma Schedule K-1-T along with the Schedule K-1-T you issue to your beneficiary.

**Column A** — **Beneficiary's share** — If any part of your income was paid, credited, or distributed, or deemed to have been paid, credited, or distributed by you to this beneficiary, you must complete Column A of Steps 3 through 6.

**Column B** — **Illinois share** — If this beneficiary was a nonresident of Illinois on the last day of your tax year, you must complete Column B of Steps 3 through 6.

## Step 3 — Figure your beneficiary's share of your nonbusiness income or loss

**Note** ■ Do not complete Step 3 if you made the election on your Illinois Schedule NR (Form IL-1041) to treat all of your income as business income. All items of income and expense from your federal Schedule K-1 should be reported in Step 4, Figure your beneficiary's share of your business income or loss.

## Column A - Beneficiary's share

**Lines 9 through 18 -** Enter the beneficiary's share of items of income, net of deductions, that constitutes nonbusiness income.

### Column B - Illinois share

**Lines 9, 10, and 17 -** If the beneficiary is a partnership, a corporation, or an S corporation with an Illinois address, enter its share of nonbusiness income from Column A. Otherwise, enter "0."

**Lines 11 through 16, and Line 18 -** Enter the beneficiary's share of nonbusiness income allocable to Illinois. Identify any amount reported on Line 18 and, if needed, attach a breakdown of that amount.

## Step 4 — Figure your beneficiary's share of your business income or loss

**Note** When completing Lines 19 through 29, exclude from these amounts any nonbusiness income reported in Step 3.

## Column A - Beneficiary's share

**Lines 19 through 29 -** Enter the beneficiary's share of business income identified on these lines. See the information on the beneficiary's federal Schedule K-1 and the amounts entered on the lines in Step 3, Column A.

### Column B - Illinois share

Lines 19 through 29 - Enter the beneficiary's share of business income apportioned to Illinois. If the business income is from this fiduciary, multiply the amount in Column A by the apportionment factor on Step 1, Line 4. If you received business income from any other trust, estate, partnership, or S corporation, see the Illinois Schedule K-1-T or Illinois Schedule K-1-P from that entity. Enter the total in Column B. Identify any amount reported on Line 29 and, if needed, attach a breakdown of that amount.

<u>=Note</u> Do not apportion any amounts from Column A, Lines 23, 24, 26, and 27 to Column B. Apportion only the net amounts on Lines 25 and 28.

## Step 5 — Figure your beneficiary's share of Illinois additions and subtractions

### Column A - Beneficiary's share

**Line 30 -** Enter the beneficiary's share of the federally tax-exempt interest income reported on your Form IL-1041, Step 2, Column A, Line 6.

**Line 31 -** Enter the beneficiary's share of Illinois income and replacement tax and surcharge deducted in arriving at federal taxable income and reported on your Form IL-1041, Step 2, Column A, Line 5.

**Line 32 -** Enter the beneficiary's share of Illinois Special Depreciation that must be added to the federal taxable income, as reported on your Form IL-1041, Step 2, Column A, Line 7.

**Line 33 -** Enter the beneficiary's share of Related-Party Expenses that must be added to the federal taxable income, as reported on your Form IL-1041, Step 2, Column A, Line 8.

**Line 34 -** Enter the beneficiary's share of additions from any partnership, S corporation, trust, or estate from which you received income, as reported on your Form IL-1041, Step 2, Column A, Line 9.

**Line 35 -** Enter the beneficiary's share of each of the "other additions" figured on Illinois Schedule M, Other Additions and Subtractions (for businesses), and reported on your Form IL-1041, Step 2, Column A, Line 10.

**Line 36a -** Enter the beneficiary's share of the interest from U.S. government obligations that is included as business income on your Form IL-1041, Step 3, Column A, Line 15.

**Line 36b** - Enter the beneficiary's share of the interest from U.S. government obligations that is included as nonbusiness income on your Form IL-1041, Step 3, Column A, Line 15.

**Line 37 -** Enter the beneficiary's share of payments from certain retirement plans reported on your Form IL-1041, Step 3, Column A, Line 14.

**Line 38** - Enter the beneficiary's share of retirement payments to retired partners reported on your Form IL-1041, Step 3, Column A, Line 16.

**Line 39 -** Enter the beneficiary's share of River Edge Redevelopment Zone Dividend Subtraction, included in the total amount of your Form IL-1041, Step 3, Column A, Line 17.

**Line 40 -** Enter the beneficiary's share of High Impact Business within a Foreign Trade Zone (or sub-zone) Dividend Subtraction, from your Form IL-1041, Step 3, Column A, Line 18.

Line 41 - Enter the beneficiary's share of contributions to certain job training projects from your Form IL-1041, Step 3, Column A, Line 19.

**Line 42 -** Enter the beneficiary's share of any Illinois Special Depreciation subtraction allowed for property placed in service after September 11, 2001, from your Form IL-1041, Step 3, Column A, Line 20.

**Line 43 -** Enter the beneficiary's share of any Related-Party Expenses subtraction allowed from your Form IL-1041, Step 3, Column A, Line 21.

Line 44 - Enter the beneficiary's share of subtractions from any partnership, S corporation, trust, or estate from which you received income reported on your Form IL-1041, Step 3, Column A, Line 22. Do not include any August 1, 1969, appreciation amounts included in the share. Those subtractions are passed through to the beneficiary in Step 6.

**Line 45 -** Enter the beneficiary's share of each of the "other subtractions" figured on Illinois Schedule M (for businesses), and reported on your Form IL-1041, Step 3, Column A, Line 24.

Do not include any August 1, 1969, appreciation amounts included in the share.

### Column B - Illinois share

Lines 30 through 35 - Enter the beneficiary's share of additions apportioned to Illinois. If the amount is business income, multiply the amount of business income in Column A by the apportionment factor on Step 1, Line 4. Allocate the amount of nonbusiness income in Column A according to the allocation rules. See "When is nonbusiness income allocable to Illinois?" in General Information for the rules governing the allocation of nonbusiness income. If you received amounts from any other trust, estate, partnership, or S corporation, see the Schedule K-1-T or Schedule K-1-P from that entity. Enter the total in Column B.

**=Note** → If you reported recaptured business expenses on Line 35, multiply those expenses in Column A by the fraction on Line f of the Apportionment Factor Worksheet in the Illinois Schedule NR (Form IL-1041) Instructions.

**Note** → Do not include any amount in Column B of Lines 36a, 36b, 39, or 40, unless the item was included in Column B in Step 3 or 4 of this Schedule K-1-T. This same rule applies to certain items from Illinois Schedule M (for businesses), including any income exempt from taxation by Illinois by reasons of its statutes or Constitution, or the Constitution, treaties, or statutes of the United States.

Lines 36a, and 37 through 45 - Enter the beneficiary's share of subtractions apportioned to Illinois. If the amount is business income, multiply the amount of business income in Column A by the apportionment factor on Step 1, Line 4. Allocate the amount of nonbusiness income in Column A according to the allocation rules. See "When is nonbusiness income allocable to Illinois?" in General Information for the rules governing the allocation of nonbusiness income. If you received amounts from any other trust, estate, partnership, or S corporation, see the Schedule K-1-T or Schedule K-1-P from that entity. Enter the total in Column B.

**Line 36b** - If the beneficiary is a partnership, a corporation, or an S corporation with an Illinois address, enter the amount from Column A. Otherwise, enter "0."

## Step 6: Figure your beneficiary's (except a corporate beneficiary) share of your Illinois August 1, 1969, appreciation amounts

If you reported a gain on the disposition of property acquired before August 1, 1969, this gain may be reduced by the August 1, 1969, appreciation amount. See Schedule F, Gains from Sales or Exchanges of Property Acquired Before August 1, 1969,

Schedule K-1-T(1) (R-12/16) Page 3 of 5

(Form IL-1041) for detailed instructions and information necessary to complete Lines 46 through 48.

**ENote** Corporations are not allowed to subtract the August 1, 1969, appreciation amount. However, S corporations may pass the subtraction through to their shareholders.

## Column A - Beneficiary's share

**Line 46 -** Enter the beneficiary's share of the August 1, 1969, appreciation amount for IRC Sections 1245 and 1250 gains reported on your Form IL-1041, Schedule F, Column 2, Line 7.

Line 47 - Enter the beneficiary's share of the August 1, 1969, appreciation amount for IRC Section 1231 gain reported on your Form IL-1041, Schedule F, Column 2, Line 8.

**Line 48 -** Enter the beneficiary's share of the August 1, 1969, appreciation amount for capital gain reported on your Form IL-1041, Schedule F, Column 2, Line 9.

## Column B - Illinois Share

**Lines 46 through 48 -** Enter the beneficiary's share of the August 1, 1969, appreciation amounts that are allocated or apportioned to Illinois.

If the appreciation amounts result from a gain on the disposition of nonbusiness property located in Illinois, allocate them to Illinois. See "When is nonbusiness income allocable to Illinois" in General Information for the rules governing the allocation of nonbusiness income.

If the appreciation amounts result from gain on the disposition of business property, apportion them to Illinois by multiplying the amount on Lines 46 through 48, Column A, by the apportionment factor on Step 1, Line 4. If you received amounts from any other trust, estate, partnership, or S corporation, see the Illinois Schedule K-1-T or Illinois Schedule K-1-P from that entity. Enter the total in Column B.

## Step 7: Figure your beneficiary's share of pass-through withholding payments and federal income subject to surcharge

**Line 49 -** If you are a trust, this member is a nonresident, and this member has not submitted a Form IL-1000-E to you, complete Schedule K-1-T(3) for this member **before** completing this line. After you have completed Schedule K-1-T(3) for this member, enter on Line 49 the beneficiary's share of pass-through withholding payments from Schedule K-1-T(3), Step 3, Line 13. You must also report specific amounts from Schedule K-1-T(3) on Schedule D of your Form IL-1041. See the instructions for Schedule K-1-T(3) below and the Schedule D instructions for more information.

**Line 50 -** Enter the beneficiary's share of any federal income attributable to transactions subject to the surcharge. **Attach** a breakdown of any items reported on this line.

## Definitions related to the Compassionate Use of Medical Cannabis Pilot Program Act Surcharge —

**Organization registrant** means a corporation, partnership, trust, limited liability company (LLC), or other organization that holds either a medical cannabis cultivation center registration issued by the Illinois Department of Agriculture or a medical cannabis dispensary registration issued by the Illinois Department of Financial and Professional Regulation.

Transactions subject to the surcharge means sales and exchanges of

- · capital assets;
- depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of an organization registrant.

## What is the surcharge?

For each taxable year beginning or ending during the Compassionate Use of Medical Cannabis Pilot Program, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of an organization registrant under the Compassionate Use of Medical Cannabis Pilot Program Act.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge.

## To whom does the surcharge apply?

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a "transaction subject to the surcharge," including individuals and other taxpayers who are not themselves the "organization registrant" that engaged in the transaction.

A beneficiary who incurs a federal income tax liability on income from a transaction subject to surcharge distributed by a trust or estate will incur a surcharge.

**Note** → Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

## What do I report to my beneficiaries?

Enter the beneficiary's share of any federal income attributable to transactions subject to the surcharge on Line 50. In order to enable your beneficiary to correctly figure their surcharge, attach a report itemizing any amount reported on Line 50 and provide it to your beneficiary along with this schedule.

Report **federal income** attributable to transactions subject to the surcharge on Line 50. **Do not** report your federal income tax liability for the taxable year attributable to the transactions subject to the surcharge on this line.

For more information, see Illinois Income Tax Regulations, Section 100.2060.

## K-1-T(3) Step-by-Step Instructions

### Read this information first:

The following instructions apply to trusts only. Estates are not required to make pass-through withholding payments on behalf of their nonresident members.

- You must complete Schedule K-1-T(3) for each of your nonresident beneficiaries who have not submitted a Form IL-1000-E to you.
- Do not complete Schedule K-1-T(3) for any member who is a resident or who has submitted Form IL-1000-E to you.
- You must keep Schedule K-1-T(3) with your income tax records.
- Do not send Schedule K-1-T(3) to your beneficiaries or submit it to the Illinois Department of Revenue unless we request it from you.

**<u>=Note-</u>** See "What is a resident?" and "What is a nonresident?" in the General Information section of these instructions for help determining if your member is a resident or nonresident.

Completion of Schedule K-1-T(3) for each of your applicable members is required and will aid in the completion of your Form IL-1041, Schedule D.

Complete all lines of Schedule K-1-T except Step 7, Line 49 before completing this schedule.

Page 4 of 5 Schedule K-1-T(1) (R-12/16)

## Step 1 — Identify your trust

Line 1 - Enter the name of your trust as shown on your Form IL-1041.

**Line 2 -** Enter your federal employer identification number (FEIN). If you are a foreign entity and do not have a FEIN, leave Line 2 blank. If you leave this line blank and we request that you submit this schedule, you may be contacted for further information.

## Step 2 — Identify your nonresident beneficiary

**Line 3** - Enter the name of the nonresident beneficiary for whom you are reporting pass-through withholding payments.

**Line 4 -** Enter the Social Security number or FEIN of the nonresident beneficiary.

**Line 5 -** Check the appropriate box to identify this nonresident beneficiary as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

If this nonresident beneficiary is

- an exempt organization and is taxed as a corporation, check the corporation box on this schedule and treat it as a corporation for the purposes of completing this schedule.
- an exempt organization and is taxed as a trust, check the trust box on this schedule and treat it as a trust for the purposes of completing this schedule.
- a grantor trust or other disregarded entity, check the box on this schedule that corresponds to the tax type of the grantor or owner and treat it as that type of taxpayer for the purposes of completing this schedule.

## Step 3 — Figure your nonresident beneficiary's pass-through withholding

<u>=Note</u> If this member is a resident or has submitted Form IL-1000-E to you, do not complete Schedule K-1-T(3) for this member.

Line 6 and Line 7 - If this member is an individual beneficiary, do not include itemized deductions such as charitable contributions, investment expenses, or portfolio expenses because individuals are not allowed to take these deductions in computing Illinois net income.

Line 8 through Line 10 - Follow the instructions on the Schedule.

**Line 11 -** Add the amounts from this member's Schedule K-1-T, Column B, Lines 36a through 45 and enter the total here. This is your member's share of subtractions allocable to Illinois.

**Note** If this member is an individual, partnership, trust, or estate and received Illinois August 1, 1969, appreciation amounts from you, include the amounts from their Schedule K-1-T, Column B, Lines 46 through 48 in the total you enter on their Schedule K-1-T(3), Line 11.

If this member is a corporation (including S corporations) **do not** include any amounts shown on their Schedule K-1-T, Column B, Lines 46 through 48, in the total you enter on their Schedule K-1-T(3), Line 11.

**Line 12 -** Follow the instructions on the schedule. Enter this amount here **and** on your Form IL-1041, Schedule D, Section B, Column F, on the line which reports this member's amounts.

**Line 13 -** Determine your member's tax type, multiply the amount on Line 12 by the applicable percentage, and enter the result on this line.

This is your member's total pass-through withholding payment. Enter the result on this line and on this member's Schedule K-1-T, Step 7, Line 49.

You must also enter the result on your Form IL-1041, Schedule D, Section B. Column G. on the line which reports this member's amounts.

<u>Note</u> Complete a separate Schedule K-1-T(3) for each of your nonresident members who have not submitted a Form IL-1000-E to you. Do not submit Schedule K-1-T(3) to the Department unless we specifically request it from you.

Schedule K-1-T(1) (R-12/16) Page 5 of 5

## General Information What is the purpose of Schedule K-1-T?

The trust or estate listed on the front of Schedule K-1-T has completed and provided you with the schedule to reflect your share of the trust's or estate's income and modifications. Use the completed schedule and these instructions to help you report the items shown on Schedule K-1-T on your Illinois Income Tax return. Attach a copy of Schedule K-1-T to the tax return. You should also keep a copy in your tax records.

### What must I attach?

You **must** attach a copy of **any Schedule K-1-T** you receive from a trust or estate to your tax return. You should also keep a copy for your records.

**Note** If you receive a Schedule K-1-T that has "the following information is included in the Schedule K-1-T from \_\_\_\_\_" (the name of the trust or estate) written at the top, it is a pro forma Schedule K-1-T. The pro forma Schedule K-1-T has been included to aid you in the completion of your return and should **not** be submitted with your tax return.

## What if I am a Grantor Trust or Disregarded Entity?

If you are a grantor trust or other disregarded entity for federal and Illinois income tax purposes, check the applicable box on Line 8b, enter the name and identification number of the taxpayer that will report the income or loss from your Schedule K-1-T on their tax return, and provide them with a copy of the Schedule K-1-T and a copy of this Schedule K-1-T(2).

## What if I received Schedule K-1-T from a Grantor Trust or Disregarded Entity?

If the grantor trust or disregarded entity checkbox on Line 8b is checked and your name and identification number are listed, report the items from the Schedule K-1-T as if it were provided to you by the taxpayer in Step 1.

## What if I believe the trust or estate has made an error on my Schedule K-1-T?

If you believe the trust or estate has made an error on your Schedule K-1-T, notify the trust or estate and ask for a corrected Schedule K-1-T. Do not change any items on your copy.

## What does Column A represent?

Column A represents your specific share of the trust's or the estate's income and modifications. The trust or estate is required to complete this column if any part of the trust's or estate's income was paid, credited, or distributed, or deemed to have been paid, credited, or distributed by the trust or estate to you. If you were a resident of Illinois on the last day of the trust's or estate's taxable year, all amounts in Column A must be included as income, modifications, and credits allocated to Illinois. If you were a resident of Illinois on the last day of the trust's or estate's tax year, and you are claiming a credit for taxes paid to another state, see "What does Column B Represent" below.

## What does Column B represent?

Column B represents the portion of Column A that is allocated or apportioned to Illinois. If you were not a resident of Illinois on the last day of the trust's or estate's tax year, be sure the amounts reported in Column B are included in the Illinois amounts reported on your

- Form IL-1040, Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, Column B;
- Form IL-1041, Schedule NR, Nonresident Computation of Fiduciary Income, Column B;
- Form IL-1120, Step 4, Figure your income allocable to Illinois;
- Form IL-1065 or Form IL-1120-ST, Step 6, Figure your income allocable to Illinois; or
- Form IL-990-T, Step 3, Figure your income allocable to Illinois.

If you were a resident of Illinois on the last day of the trust's or estate's tax year and you are claiming a credit for taxes paid to another state, subtract the amount of each item in Column B from the amount of that item in Column A, and include the difference in the Non-Illinois Portion column for that item on your

- Form IL-1040, Schedule CR, Credit for Tax Paid to Other States, or
- Form IL-1041, Schedule CR, Credit for Tax Paid to Other States.

## **Step-by-Step Instructions**

for individuals filing Form IL-1040

## Steps 3 and 4 - Your share of nonbusiness and business income or loss —

Follow the Steps 3 and 4 instructions to determine the amounts to include on your Form IL-1040, Schedule NR or Schedule CR.

Column A - Beneficiary's share —

**Lines 9 through 29 -** Make sure the amounts reported on these lines match your federal Schedule K-1.

Column B - Illinois share —

Step 3 represents your share of the trust's or estate's nonbusiness income allocated to Illinois. Step 4 represents your share of the trust's or estate's business income apportioned to Illinois. The following information allows you to determine the amount to include on specific lines of your Form IL-1040.

**ENOTE** Use the following instructions in order to include the income reported in Steps 3 and 4 of Schedule K-1-T, on your Form IL-1040, Schedule NR, Step 3, Lines 5 through 19, and Form IL-1040, Schedule CR, Step 2, Column B, Lines 1 through 15.

**Interest income -** Nonbusiness interest is not taxed by Illinois. Step 3, Column B, Line 9, should be "0." If the Schedule K-1-T you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-T.

**Nonresidents:** Include the amount from Step 4, Column B, Line 19, on your Form IL-1040, Schedule NR, Step 3, Column B, Line 6.

Residents claiming credit for taxes paid in other states: Subtract the amount on Step 4, Column B, Line 19, from the amount on Step 4, Column A, Line 19, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 2.

Page 1 o

Schedule K-1-T(2) (R-12/16) Schedule CR, Step 2, Column B, Line 2. Page 1 of 8

**Dividend income** - Nonbusiness dividends are not taxed by Illinois. Step 3, Column B, Line 10, should be "0." If the Schedule K-1-T you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-T.

**Nonresidents:** Include the amount from Step 4, Column B, Line 20 on your Form IL-1040, Schedule NR, Step 3, Column B, Line 7.

Residents claiming credit for taxes paid in other states: Subtract the amount on Step 4, Column B, Line 20, from the amount on Step 4, Column A, Line 20, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 3.

Rents, royalties, partnerships, S corporations, trusts, and estates - Enter the amounts from Columns A and B from both Step 3 and Step 4 for each line item, and add all the amounts for each Column.

	Column A	Column B	
Line 11			
Line 12			
Line 13			
Line 14			
Line 25			
Line 28			
Total			

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 3, Column B, Line 15.

Residents claiming taxes paid in other states: Subtract the amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 11.

**Capital gain or loss -** Enter the amounts from Columns A and B for both Step 3 and Step 4 for each line item, and add all the amounts for each column.

	Column A	Column B
Line 15		
Line 16		
Line 17		
Line 21		
Line 22		
Total		

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 3, Column B, Line 11.

<u>Note</u> You may include any capital loss amounts on your Form IL-1040, Schedule NR, Step 3, Column B, Line 11, only to the extent those loss amounts are included in your federal adjusted gross income.

Residents claiming taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Column B, Line 7.

**Other income -** The trust or estate is required to identify or send you a breakdown of the items reported on Step 3, Line 18, and Step 4, Line 29. This identification or breakdown will determine on what lines of your federal return you need to report the income in Column A.

**Nonresidents:** The amounts reported in Column B need to be reported on the corresponding lines of your Form IL-1040, Schedule NR, Step 3, Column B.

Residents claiming taxes paid in other states: Subtract the amounts in Column B from the corresponding amounts in Column A, and include the results on the appropriate lines of your Form IL-1040, Schedule CR, Step 2, Column B.

## Step 5 - Your share of Illinois additions and subtractions —

Column A - Member's share of additions —

**Lines 30 through 35 -** The amounts on these lines are reported in your Illinois base income by including them on your Form IL-1040, Schedule M, Other Additions and Subtractions for Individuals, Line 2.

Column A - Member's share of subtractions —

Enter the amounts from Lines 36a through 38 and Lines 41 through 45, Column A, and add all amounts.

Line 36a	
Line 36b	
Line 37	
Line 38	
Line 41	
Line 42	
Line 43	
Line 44	
Line 45	
Total	

Include the total amount on your Form IL-1040, Schedule M, Other Additions and Subtractions for Individuals, Line 13.

**Line 39 -** Include the amount from Line 39 on your Form IL-1040, Schedule 1299-C, Step 2, Line 2.

**Line 40 -** Include the amount from Line 40 on your Form IL-1040, Schedule 1299-C, Step 2, Line 5.

Column B - Illinois share —

**Lines 30 through 35 -** Enter the amounts from Columns A and B for each line item, and add all the amounts for each column.

	Column A	Column B
Line 30		
Line 31		
Line 32		
Line 33		
Line 34		
Line 35		
Total		

**Nonresidents**: Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 4, Column B, Line 40.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1040, Schedule CR, Step 3, Column B, Line 35.

**Lines 36a through 45** - Enter the amounts from Lines 36a through 45 for both Columns A and B and add all the amounts for each column.

	Column A	Column B
Line 36a		
Line 36b		
Line 37		
Line 38		
Line 39		
Line 40		
Line 41		
Line 42		
Line 43		
Line 44		
Line 45		
Total		

Page 2 of 8 Schedule K-1-T(2) (R-12/16)

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 4, Column B, Line 44.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1040, Schedule CR, Step 3, Column B, Line 39.

## Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts —

Column A - Beneficiary's share —

**Line 46 -** Include the amount on your Form IL-1040, Schedule F, Step 3, Column H, Line 6.

**Line 47 -** Include the amount on your Form IL-1040, Schedule F, Step 3, Column I, Line 6.

**Line 48 -** Include the amount on your Form IL-1040, Schedule F, Step 2, Line 2.

Column B - Illinois Share —

Lines 46 through 48 - Add Columns A and B, Lines 46 through 48.

	Column A	Column B
Line 46		
Line 47		
Line 48		
Total		

**Nonresidents:** Include the total amount from Column B as a subtraction on your Form IL-1040, Schedule NR, Step 4, Column B, Line 44.

Residents claiming taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 3, Column B, Line 39.

## Step 7 - Your share of pass-through withholding payments and federal income subject to surcharge —

**Line 49 - Pass-through withholding payments** — Enter the amount from Line 49 on your Form IL-1040, Step 9, Line 28.

Pass-through withholding payments made on your behalf and reported to you on Schedule K-1-T, Line 49, are based on items of business income and certain items of nonbusiness income only. If you had Illinois income from other sources, and the payments made on your behalf do not cover your liability, you must file a return to report the tax on all of your Illinois income and claim a credit for pass-through withholding payments made on your behalf.

**Line 50 -** See the Step-by-Step Instructions for Line 50 at the end of these instructions.

## **Step-by-Step Instructions**

for trusts or estates filing Form IL-1041

## Steps 3 and 4 - Your share of nonbusiness and business income or loss —

**<u>=Note</u>** Follow the Steps 3 and 4 instructions to determine the amounts to include on your Form IL-1041, Schedule NR or Schedule CR.

Column A - Beneficiary's share —

**Lines 9 through 29 -** Make sure the amounts reported on these lines match your federal Schedule K-1.

Column B - Illinois share —

Step 3 represents your share of the trust's or estate's nonbusiness income allocated to Illinois. Step 4 represents your share of the trust's or estate's business income apportioned to Illinois. The following information allows you to determine the amount to include on specific lines of your Form IL-1041.

**ENote** → Use the following instructions in order to include the income reported in Steps 3 and 4 of Schedule K-1-T on your Form IL-1041, Schedule NR, Step 3, Lines 1 through 26, and Form IL-1041, Schedule CR, Step 2, Lines 1 through 23.

**Interest income** - Nonbusiness interest is not taxed by Illinois. Step 3, Column B, Line 9, should be "0." If the Schedule K-1-T you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-T.

**Nonresidents:** Include the amount of business interest from Step 4, Column B, Line 19, that was not distributed or deemed distributed to a beneficiary on your Form IL-1041, Schedule NR, Step 3, Column C, Line 1.

Residents claiming credit for taxes paid in other states: Subtract the amount on Step 4, Column B, Line 19, from the amount on Step 4, Column A, Line 19, and include the result on your Form IL-1041, Schedule CR, Step 2, Column C, Line 1.

**Dividend income -** Nonbusiness dividends are not taxed by Illinois. Step 3, Line 10, Column B, should be "0." If the Schedule K-1-T you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-T.

**Nonresidents:** Include the amount of business dividends from Step 4, Column B, Line 20, that was not distributed or deemed distributed to a beneficiary on your Form IL-1041, Schedule NR, Step 3, Column C, Line 2.

### Residents claiming credit for taxes paid in other states:

Subtract the amount on Step 4, Column B, Line 20, from the amount on Step 4, Column A, Line 20, and include the result on your Form IL-1041, Schedule CR, Step 2, Column C, Line 2.

## Income or loss from trusts and estates -

Enter the amounts from Steps 3 and 4 from both Columns A and B for each line item, and add all amounts for each column.

	Column A	Column B
Line 11		
Line 12		
Line 13		
Line 14		
Line 25		
Line 28		
Total		

Schedule K-1-T(2) (R-12/16) Page 3 of 8

Nonresidents: Include the total amount from Column B, to the extent it was not distributed or deemed distributed to a beneficiary, on your Form IL-1041, Schedule NR, Step 3, Column C, Line 7.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A. and include the result on your Form IL-1041, Schedule CR, Step 2, Column C, Line 7.

Nonbusiness gain or loss - Enter the amounts from Step 3 for both Columns A and B for each line item, and add all amounts for each column.

	Column A	Column B	
Line 15			
Line 16			
Line 17			
Total			
Nonresidents	s: Include the total	amount from Column E	3, to the extent
it was not dist	ributed or deemed	distributed to a benefi	ciary, on your
E II 4044	Onlandala ND Otan	0 0-1 0 1: 1	

Form IL-1041, Schedule NR, Step 3, Column C, Line 4.

**<u>=Note</u>** You may include any capital loss amounts on your Form IL-1041, Schedule NR, Step 3, Column C, Line 4, only to the extent those loss amounts are included in your federal taxable income.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1041, Schedule CR, Step 2, Column C, Line 4.

**Business gain or loss -** Enter the amounts from Step 4 for both Columns A and B, for each line item, and add all amounts for each column.

	Column A	Column B
Line 21		
Line 22		
Total		

Nonresidents: Include the total amount from Column B, to the extent it was not distributed or deemed distributed to a beneficiary, on your Form IL-1041, Schedule NR, Step 3, Column C, Line 10.

**<u>=Note</u>** You may include any capital loss amounts on your Form IL-1041, Schedule NR, Step 3, Column C, Line 10, only to the extent those loss amounts are included in your federal taxable income.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1041, Schedule CR, Step 2, Column C, Line 10.

Other income - The trust or estate is required to identify or send you a breakdown of the items reported on Step 3, Line 18, and Step 4, Line 29. This identification or breakdown will determine on what lines of your federal return you need to report the income in Column A.

Nonresidents: The amounts reported in Column B need to be reported on the corresponding lines of your Form IL-1041, Schedule NR, Step 3, Column C.

Residents claiming taxes paid in other states: Subtract the amounts in Column B from the corresponding amounts in Column A, and include the results on the appropriate lines of your Form IL-1041, Schedule CR, Step 2, Column C.

## Step 5 - Your share of Illinois additions and subtractions -

Column A - Member's share of additions —

**Lines 30 through 35 -** The amounts on these lines are reported in your Illinois base income by including them on your Form IL-1041, Step 2, Line 9.

Column A - Member's share of subtractions —

Enter the amounts from Lines 36a through 38 and Lines 41 through 45 of Column A, and add all amounts.

Line 36a		
Line 36b		
Line 37		
Line 38		
Line 41		
Line 42		
Line 43		
Line 44		
Line 45		
Total		

Lines 36a through 38 and 41 through 45 - Include the total of these lines on your Form IL-1041, Step 3, Line 22.

Line 39 - Include the amount from Line 39 on your Schedule 1299-B, Step 1, Line 2.

Line 40 - Include the amount from Line 40 on your Schedule 1299-B, Step 1, Line 5.

Column B - Illinois Share —

Lines 30 through 35 - Enter the amounts from Column B, Lines 30 through 35.

	Column A	Column B
Line 30	<u></u>	
Line 31		
Line 32	<u></u>	
Line 33		
Line 34		
Line 35		
Total		

Nonresidents: Include the total amount from Column B as an addition on your Form IL-1041, Schedule NR, Step 4, Column B, Line 35, to the extent it was not distributed or deemed distributed to a beneficiary.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 32, to the extent it was not distributed or deemed distributed to a beneficiary.

Lines 36a through 38 and Line 41 through 45 - Enter the amount from Lines 36a through 38 and 41 through 45 for both Columns A and B, and add all the amounts for both columns.

Page 4 of 8 Schedule K-1-T(2) (R-12/16)

	Column A		Column B	
Line 36a		_		-
Line 36b		_		-
Line 37		_		-
Line 38		_		-
Line 41		_		-
Line 42		_		-
Line 43		_		
Line 44				
Line 45				
Total		_		
Negrocidonto	Indude the total or	maunt:	from Column D.	NO MOLIK

**Nonresidents:** Include the total amount from Column B on your Form IL-1041, Schedule NR, Step 4, Column B, Line 47, to the extent it was not distributed or deemed distributed to a beneficiary.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 45, to the extent it was not distributed or deemed distributed to a beneficiary.

### Line 39 -

**Nonresidents:** Include the amount from Column B on your Form IL-1041, Schedule NR, Step 4, Column B, Line 42, to the extent it was not distributed or deemed distributed to a beneficiary.

Residents claiming credit for taxes paid in other states: Subtract the amount in Column B from the amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 40, to the extent it was not distributed or deemed distributed to a beneficiary.

### Line 40 -

**Nonresidents:** Include the amount from Column B on your Form IL-1041, Schedule NR, Step 4, Column B, Line 43, to the extent it was not distributed or deemed distributed to a beneficiary.

Residents claiming credit for taxes paid in other states: Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 41, to the extent it was not distributed or deemed distributed to a beneficiary.

## Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts —

Column A - Beneficiary's share —

**Line 46 -** Include the amount on your Form IL-1041, Schedule F, Column K. Line 2.

**Line 47 -** Include the amount on your Form IL-1041, Schedule F, Column L. Line 2.

**Line 48 -** Include the amount on your Form IL-1041, Schedule F, Column M, Line 2.

Column B - Illinois Share —

**Lines 46, 47, and 48 -** Enter the amounts from Lines 46 through 48 for both Columns A and B, and add all the amounts for both columns.

	Column A	Column B
Line 46		
Line 47		
Line 48		
Total		

**Nonresidents:** Include the total amount from Column B as a subtraction on your Form IL-1041, Schedule NR, Step 4, Column B, Line 38.

**Residents claiming taxes paid in other states**: Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1041, Schedule CR, Step 3, Column B, Line 36.

## Step 7 - Your share of pass-through withholding payments and federal income subject to surcharge —

**Line 49 - Pass-through withholding payments** — Enter the amount from Line 49 on your Form IL-1041, Step 7, Line 54c.

**=Note** → Pass-through withholding payments made on your behalf and reported to you on Schedule K-1-T, Line 49, are based on items of business income and certain items of nonbusiness income only. If you had Illinois income from other sources, and the payments made on your behalf do not cover your liability, you must file a return to report the tax on all of your Illinois income and claim a credit for pass-through withholding payments made on your behalf.

**Line 50 -** See the Step-by-Step Instructions for Line 50 at the end of these instructions.

## **Step-by-Step Instructions**

for partnerships filing Form IL-1065 and S corporations filing Form IL-1120-ST

## Steps 3 and 4 - Your share of nonbusiness and business income or loss —

Column A - Beneficiary's share —

**Lines 9 through 29 -** The amounts reported on Lines 9 through 29 must match your federal Schedule K-1.

Column B - Illinois Share —

Step 3 represents your share of the trust's or estate's nonbusiness income allocated to Illinois. Step 4 represents your share of the trust's or estate's business income apportioned to Illinois. The following information allows you to determine the amount to include on specific lines of your Form IL-1065 or Form IL-1120-ST.

**Lines 9 through 29 -** Include the amounts in Step 3, Column B in the total amount you report on your Schedule NB.

**Note** You may include any capital loss amounts on your Schedule NB only to the extent those loss amounts are included in your unmodified base income on Form IL-1065 or IL-1120-ST, Step 3, Line 13.

Include the amounts in Step 4, Column B in the total amount you report on your Form IL-1065 or Form IL-1120-ST, Step 6, Line 45.

**Note** → You may include any capital loss amounts on your Form IL-1065 or Form IL-1120-ST, Step 6, Line 45, only to the extent those loss amounts are included in your unmodified base income on Form IL-1065 or Form IL-1120-ST, Step 3, Line 13.

Schedule K-1-T(2) (R-12/16)

### Step 5 - Your share of Illinois additions and A Total of nonbusiness amounts from Column B, Lines 30 through 35. subtractions — **B** Total of nonbusiness amounts from Column A - Member's share of additions — Column B, Lines 36b through 45. Lines 30 through 35 - The amounts on these lines are reported in C Subtract Line B from Line A. your Illinois base income by including them on Step 4, Line 19, of Include the total amount from Line C in the total amount reported on vour Form IL-1065 or IL-1120-ST. your Schedule NB. Column A - Member's share of subtractions -Business amounts - Enter the total of any business amounts Lines 36a through 38 and 41 through 45 - The amounts on these from Column B, Lines 30 through 35 and 36a through 45 (excluding lines are reported in your Illinois base income by including the total of Line 36b). these lines on Step 5, Line 32 of your Form IL-1065 or Form IL-1120-ST. A Total of business amounts from Line 39 - Include the amount from Line 39 on your Schedule 1299-A, Column B, Lines 30 through 35. B Total of business amounts from Column B. Lines 36a through 45 (excluding Line 36b). Line 40 - Include the amount from Line 40 on your Schedule 1299-A, Step 1, Line 5. C Subtract Line B from Line A. Include the total amount from Line C in the total amount reported on In addition, report the business and nonbusiness amounts in Column A, Step 6, Line 45, of your Form IL-1065 or Form IL-1120-ST. Lines 30 through 45 as indicated in the following instructions. Column A - Member's share of business and Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts nonbusiness amounts — Lines 30 through 45 -Column A - Member's share — Nonbusiness amounts - Enter the total of any nonbusiness Line 46 - Include the amount on your Schedule F, Column K, Line 2. amounts from Column A, Lines 30 through 35 and 36b through 45 (do Line 47 - Include the amount on your Schedule F, Column L, Line 2. not include amounts from Line 36a). Line 48 - Include the amount on your Schedule F, Column M, Line 2. A Total of nonbusiness amounts from Column B - Illinois share — Column A, Lines 30 through 35. Use the information in Column B when completing Step 6 of the **B** Total of nonbusiness amounts from Schedule K-1-P for your partners or shareholders. Column A, Lines 36b through 45. Step 7 - Your share of pass-through withholding C Subtract Line B from Line A. payments and federal income subject to Include the total amount from Line C in the total amount reported on surcharge your Schedule NB. Line 49 - Pass-through withholding payments — Enter the Business amounts - Enter the total of any business amounts amount from Line 49 on Step 9, Line 61c, of your Form IL-1065 or from Column A, Lines 30 through 35 and 36a through 45 (excluding Step 9, Line 60c, of your Form IL-1120-ST. Line 36b). **Note** Pass-through withholding payments made on your behalf A Total of business amounts from and reported to you on Schedule K-1-T, Line 49, are based on items of Column A, Lines 30 through 35. business income and certain items of nonbusiness income only. If you **B** Total of business amounts from Column A, had Illinois income from other sources, and the payments made on Lines 36a through 45 (excluding Line 36b). your behalf do not cover your liability, you must file a return to report C Subtract Line B from Line A. the tax on all of your Illinois income and claim a credit for pass-through

Include the total amount from Line C in the total amount reported on Step 6, Line 37, of your Form IL-1065 or Form IL-1120-ST.

Column B - Illinois Share —

## Lines 30 through 45 -

**Nonbusiness amounts -** Enter the total of any nonbusiness amounts from Column B, Lines 30 through 35 and 36b through 45 (do not include amounts from Line 36a).

## **Step-by-Step Instructions**

these instructions.

for corporations filing Form IL-1120

## Steps 3 and 4 - Your share of nonbusiness and business income or loss —

Column A - Beneficiary's share —

**Lines 9 through 29 -** The amounts reported on Lines 9 through 29 must match your federal Schedule K-1.

## Column B - Illinois share —

withholding payments made on your behalf.

Step 3 represents your share of the trust's or estate's nonbusiness income allocated to Illinois. Step 4 represents your share of the trust's or estate's business income apportioned to Illinois. The following information allows you to determine the amount to include on specific lines of your Form IL-1120.

Line 50 - See the Step-by-Step Instructions for Line 50 at the end of

Page 6 of 8 Schedule K-1-T(2) (R-12/16)

Include the amounts in Step 3, Column B in the total amount you report on your Schedule NB.

**Note** → You may include any capital loss amounts on your Schedule NB only to the extent those loss amounts are included in your federal taxable income.

Include the amounts in Step 4, Column B in the total amount you report on your Form IL-1120, Step 4, Line 33.

Note → You may include any capital loss amounts on your Form IL-1120, Step 4, Line 33, only to the extent those loss amounts are included in your federal taxable income.

## Step 5 - Your share of Illinois additions and subtractions —

Column A - Member's share of additions —

**Lines 30 through 35 -** The amounts on these lines are reported in your Illinois base income by including them on your Form IL-1120, Step 2, Line 7.

**Lines 36a through 38 and 41 through 45 -** The amounts on these lines are reported in your Illinois base income by including the total of these lines on your Form IL-1120, Step 3, Line 20.

**Line 39 -** Include the amount from Line 39 on your Schedule 1299-B, Step 2, Line 10.

**Line 40 -** Include the amount from Line 40 on your Schedule 1299-B, Step 2, Line 13.

In addition, report the business and nonbusiness amounts in Column A, Lines 30 through 45 as indicated in the following instructions.

Column A - Member's share of business and nonbusiness amounts —

## Lines 30 through 45 -

**Nonbusiness amounts -** Enter the total of any nonbusiness amounts from Column A, Lines 30 through 35 and 36b through 45 (do not include amounts from Line 36a).

Α	Total of nonbusiness amounts from	
	Column A, Lines 30 through 35.	
В	Total of nonbusiness amounts from	
	Column A, Lines 36b through 45.	

C Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on your Schedule NB.

**Business amounts -** Enter the total of any business amounts from Column A, Lines 30 through 35 and 36a through 45 (excluding Line 36b).

Α	Total of business amounts from	
	Column A, Lines 30 through 35.	
В	Total of business amounts from Column A,	
	Lines 36a through 45 (excluding Line 36b).	
С	Subtract Line B from Line A.	

Include the total amount from Line C in the total amount reported on Step 4, Line 25, of your Form IL-1120.

Column B - Illinois share —

## Lines 30 through 45 -

**Nonbusiness amounts -** Enter the total of any nonbusiness amounts from Column B, Lines 30 through 35 and 36b through 45 (do not include amounts from Line 36a).

Α	Total of nonbusiness amounts from	
	Column B, Lines 30 through 35.	

D	lotal of nondusir	ness amounts from	
	Column B, Lines	36b through 45.	

C Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on your Schedule NB.

**Business amounts -** Enter the total of any business amounts from Column B, Lines 30 through 35 and 36a through 45 (excluding Line 36b).

Α	Total of business amounts from
	Column B, Lines 30 through 35.
_	

В	Total of business amounts from Column B,	
	Lines 36a through 45 (excluding Line 36b).	

C Subtract Line B from Line A.			
	: ! A	Outstand at Lines D. foreign Lines A.	$\sim$
	ine a	Subtract Line B from Line A	

Include the total amount from Line C in the total amount reported on Step 4, Line 33, of your Form IL-1120.

## Step 7 - Your share of pass-through withholding payments and federal income subject to surcharge —

**Line 49 - Pass-through withholding payments** — Enter the amount from Line 49 on your Form IL-1120, Step 8, Line 60d.

Pass-through withholding payments made on your behalf and reported to you on Schedule K-1-T, Line 49, are based on items of business income and certain items of nonbusiness income only. If you had Illinois income from other sources, and the payments made on your behalf do not cover your liability, you must file a return to report the tax on all of your Illinois income and claim a credit for pass-through withholding payments made on your behalf.

**Line 50 -** See the Step-by-Step Instructions for Line 50 at the end of these instructions.

## **Step-by-Step Instructions**

for exempt organizations filing Form IL-990-T

## Step 4 - Your share of business income or loss —

Column A - Member's share — See General Information.

Column B - Illinois share — Step 4 represents your share of the trust's or estate's business income apportioned to Illinois. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.

**Lines 19 through 29 -** Include the amounts in Step 4, Column A in the total amount you report on your Form IL-990-T, Step 3, Line 4.

**<u>=Note</u>**→ You may include any capital loss amounts on your Form IL-990-T, Step 3, Line 4, only to the extent those loss amounts are included in your unrelated business taxable income.

Include the amounts in Step 4, Column B in the total amount you report on your Form IL-990-T, Step 3, Line 10.

Schedule K-1-T(2) (R-12/16)
Page 7 of 8

**Note** → You may include any capital loss amounts on your Form IL-990-T, Step 3, Line 10, only to the extent those loss amounts are included in your unrelated business taxable income.

## Step 5 - Your share of Illinois additions and subtractions —

Column A - Member's share of business amounts — Lines 30 through 45 (excluding Line 36b) -

**Business amounts -** Enter the total of any business amounts from Column A, Lines 30 through 35 and 36a through 45 (excluding Line 36b).

- A Total of business amounts from Column A, Lines 30 through 35.
- **B** Total of business amounts from Column A, Lines 36a through 45 (excluding Line 36b).
- C Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on Step 3, Line 4, of your Form IL-990-T.

Column B - Illinois share —

Lines 30 through 45 (excluding Line 36b) -

**Business amounts -** Enter the total of any business amounts from Column B, Lines 30 through 35 and 36a through 45 (excluding Line 36b).

- A Total of business amounts from Column B, Lines 30 through 35.
- **B** Total of business amounts from Column B, Lines 36a through 45 (excluding Line 36b).
- C Subtract Line B from Line A.

Include the total amount from Line C in the total amount reported on Step 3, Line 10, of your Form IL-990-T.

## Step 7 - Your share of pass-through withholding payments and federal income subject to surcharge —

**Line 49 - Pass-through withholding payments** — Enter the amount from Line 49 on your Form IL-990-T, Step 6, Line 28d.

**Line 50 -** See the Step-by-Step Instructions for Line 50 at the end of these instructions.

## **Step-by-Step Instructions**

for Step 7, Line 50

**Line 50** — This is your share of federal income attributable to transactions subject to the Compassionate Use of Medical Cannabis Pilot Program Act surcharge. Use this information when calculating the surcharge on your return.

See the instructions below and the instructions for the return you are filing for more information.

## Definitions related to the Compassionate Use of Medical Cannabis Pilot Program Surcharge —

**Organization registrant** means a corporation, partnership, trust, limited liability company (LLC), or other organization that holds either a medical cannabis cultivation center registration issued by the Illinois Department of Agriculture or a medical cannabis dispensary registration issued by the Illinois Department of Financial and Professional Regulation.

Transactions subject to the surcharge means sales and exchanges of

- capital assets;
- · depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of an organization registrant.

## What is the surcharge?

For each taxable year beginning or ending during the Compassionate Use of Medical Cannabis Pilot Program, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of an organization registrant under the Compassionate Use of Medical Cannabis Pilot Program Act.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge.

## To whom does the surcharge apply?

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a "transaction subject to the surcharge," including individuals and other taxpayers who are not themselves the "organization registrant" that engaged in the transaction.

A beneficiary who incurs a federal income tax liability on income from a transaction subject to surcharge distributed by a trust or estate will incur a surcharge.

**Note** Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

## How do I use the amount reported on Line 50?

The amount reported on Line 50 identifies your share of any federal income attributable to transactions subject to the surcharge. The trust or estate listed in Step 1 should have also provided you with a breakdown itemizing any amount reported on Line 50.

Use this information when completing the "Compassionate Use of Medical Cannabis Pilot Program Act Surcharge Worksheet" found in the instructions for the return you are filing. Line 50 identifies federal income attributable to transactions subject to the surcharge that should not be included when you complete Line 2 of the worksheet.

**=**Note→ The amount on Line 50 identifies **federal income** attributable to transactions subject to the surcharge, **not** federal income tax liability for the taxable year attributable to the transactions subject to the surcharge. Exclude this income before figuring the federal income tax amount on Line 2 of the worksheet.

For more information, see Illinois Income Tax Regulations, Section 100,2060.

Page 8 of 8 Schedule K-1-T(2) (R-12/16)